

Compucom Software Limited

July 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	7.00	CARE BBB-; Stable	Assigned
Long Term / Short Term Bank Facilities	14.00	CARE BBB-; Stable / CARE A3	Assigned
Short Term Bank Facilities	0.84	CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Compucom Software Limited (CSL) derive strength from the vast experience of the promoters in the information technology (IT) hardware, software and learning solution services industry and its long track record of securing as well executing projects from state governments. The ratings further consider company's healthy profitability and comfortable capital structure and debt coverage indicators. The ratings are, however, constrained on account of the tender based nature of operations with a limited scale and high dependence on government tenders. Ratings take cognisance of significant decline in tendering during covid pandemic period, which resulted in significant moderation in company's total operating income (TOI) for three years ended FY22, alongwith subdued profitability during the period. The ratings are also constrained on account of high receivable from the state department for Information and Communication Technology (ICT) projects and project implementation and stabilisation risks with respect to the diversification projects.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in TOI to over Rs.80 crore with increase in procurement of tenders along with successful completion and stabilization of hotel and cold storage facilities.
- Improvement in collection period to around 200 days, enhancing the liquidity profile of the entity

Negative factors

- Moderation in TOI below Rs.45 crore and or PBILDT margin falling below 12.00% on sustained basis
- Deterioration in overall gearing beyond 0.50x on sustained basis or moderation in liquidity profile resulting in significant depletion of available liquidity / increased reliance on working capital debt

Analytical approach: Consolidated

CSL has one subsidiary namely CSL Infomedia Pvt Limited (CIPL). CIPL is mainly engaged in multimedia, content development, and education TV segment, and provides satellite education infrastructure, which is utilized by CSL for providing education services. Majority revenue in the consolidated financials is contributed by CSL.

List of Subsidiaries

Sr. No.	Name of Company	Country of incorporation	Shareholding as at March 31 st , 2023
1	CSL Infomedia Private Limited	India	65%

Outlook: Stable

Stable outlook reflects CARE Rating Ltd's expectations that company shall sustain its credit risk profile in near to medium term with growth in scale of operations, alongwith healthy profitability and comfortable capital structure, aided by its established operations in the industry.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Detailed description of the key rating drivers:**Key strengths****Experienced Promoters with established track record of operations**

CSL was incorporated in 1999 and has a long track record of operations along with vast experience of promoters. Mr. Surendra Kumar Surana, working in the capacity of Managing director and Chief Executive Officer (MD & CEO), has more than 30 years of experience in the industry. He is ably supported by experienced staff looking after their respective functions. Further, the company has highly qualified and experienced board of directors.

Demonstrated track record in securing and executing tender-based projects from State Governments

CSL provides information technology (IT) hardware, software and learning solution services to the State Governments, mainly to Government of Rajasthan (GoR). It derives around 75% of its business from its learning solution services, while the balance is derived from software development and wind power generation. The company has completed three ICT and two Computer Aided Learning Programme (CALP) projects of GoR in past and an ICT as well as Computer Aided Training Programme (CATP) of Government of Bihar. Although geographical concentration exists for the company, it has an established track record of over 20 years in securing government tenders and participates in tenders floated by the state government departments on a regular basis.

Improvement in operating profitability in FY23 post significant moderation in three years ended FY22

Owing to its presence in a service industry, company's operating profitability (PBILDT) margin historically remained healthy at over 20%. During FY23, it registered a PBILDT margin of 21%. However, prior to that, in three years ended FY22, company registered losses at operating level owing to covid pandemic disruptions, which reduced inflow of tenders and led to closure of schools. Nevertheless, with significant recovery of bad debts, company did not incur cash losses during these years.

Comfortable capital structure and debt coverage indicators

The capital structure of CSL stands comfortable, with no outstanding term debt as on March 31, 2023 and minimal utilisation of working capital limits, largely against fixed deposits. Consequently, its overall gearing stood at 0.01 at FY23 end (P.Y: 0.04x). Networth base however stood moderate at Rs.142.35 crore as on March 31, 2023.

During FY24, the company is expected to avail a new term loan of Rs.7.00 crore for the proposed capex of ~Rs.21.00 crore (for its hotel and cold storage projects). Even after considering the new term loan, the capital structure of CSL is expected to remain comfortable over the projected period.

Debt coverage indicators remained comfortable during FY23 with PBILDT Interest Coverage ratio of ~28.00x (P.Y: -1.08x) and Total Debt/GCA of 0.09x (P.Y: 0.36x).

Key weaknesses**Tender based nature of operations with higher dependence on government tenders and limited scale**

Majority of CSL's revenue is generated through participation in tenders floated by state governments for the CALP/ICT projects, rendering its operations dependent on the policies of government organizations. Since tenders for these projects are not announced by the states on a regular basis, the company's total operating income has shown fluctuation in the past, while its scale has remained limited with a TOI of around Rs.55 crore in FY23. Therefore, it becomes imperative for the company to continually secure tenders to have revenue visibility for the future years.

High receivable from state department for ICT projects

Historically, the company's ICT projects have exhibited long payment periods due to delayed payments by government departments. This has led to higher debtors for the company, on account of which the average collection period for the past five years has been around 380 days. While the same improved to around 236 days during FY23 (Prov.), sustenance of this improvement in collection period shall remain critical for the liquidity profile of the company.

Project implementation risk with respect to diversification project

CSL is undertaking two diversification projects. It is constructing a 4-star heritage hotel in Sitapura, Jaipur at an estimated cost of Rs. 25.00 crore, to be funded entirely through internal accruals. As on date, around Rs.18 crore of cost has been incurred on this project. CSL is also setting up a cold storage with capacity of 7880 MT, for storage and sale of fruits and vegetables. The total expected cost for the project is ~Rs.11.50 crores, to be funded through a term loan of Rs.7.00 crore and the balance through internal accruals. Operations for both projects are expected to commence at the beginning for FY25. Financial closure has been achieved, however large part of the capex is yet to be incurred. Hence, the project execution and stabilization risks persist.

Liquidity: Adequate

CSL has an adequate liquidity profile, marked by low scheduled debt repayments and presence of adequate free and bank balance of over Rs.50 crore as on March 31, 2023. While the company has a long collection period from State Governments, large part of its funding requirements are primarily met through internal accruals and working capital debt availed against fixed deposits. However, ongoing capex projects of the company entail deployment of internal cash accruals for their completion owing to low reliance on external debt. Thus, timely completion of these projects without any major cost over-run and generation of envisaged revenue thereof, alongwith sustenance of improvement in the collection period witnessed in FY23 shall remain critical for the liquidity profile of the entity.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Information Technology	Information Technology	IT - Hardware	Computers Hardware & Equipments

Incorporated in 1995 by Mr. Surendra Kumar Surana, Compucom Software Limited (CSL) is a listed company (BSE and NSE) engaged in providing IT infrastructure and education services to schools in Rajasthan, through tenders floated by the state govt. The projects undertaken by the company generally involve supply of computer hardware, software and connected accessories as well as imparting of education services for a specified time (generally 3-5 years).

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	29.65	54.62
PBILDT	-0.53	11.35
PAT	12.72	5.21
Overall gearing (times)	0.04	0.01
Interest coverage (times)	-1.08	27.99

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	January 2031	7.00	CARE BBB-; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	14.00	CARE BBB-; Stable / CARE A3
Non-fund-based - ST-Credit Exposure Limit		-	-	-	0.84	CARE A3

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	7.00	CARE BBB-; Stable	-	-	-	-
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	14.00	CARE BBB-; Stable / CARE A3	-	-	-	-
3	Non-fund-based - ST-Credit Exposure Limit	ST	0.84	CARE A3	-	-	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable
Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	Non-fund-based - ST-Credit Exposure Limit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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