

Compucom Software Limited

July 12, 2024

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

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Compucom Software Limited (CSL) continue to derive strength from the vast experience of the promoters in the Information and Communications Technology (ICT) industry and its long track record of securing as well executing projects from state governments. The ratings further draw strength from its healthy profitability, comfortable capital structure and debt coverage indicators, and adequate liquidity.

The ratings, however, are constrained on account of the tender based nature of operations with high dependence on government tenders. The ratings are further constrained on account of risk of delay in collections from state department for ICT projects, project implementation risk with respect to diversification project, and competition from other organized and regional players.

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

- Failure in procurement of new orders / delayed execution of existing orders resulting in 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

For arriving at the ratings of CSL, CARE Ratings Ltd. (CARE) has taken a consolidated approach of CSL and its subsidiary namely CSL Infomedia Private 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 (about 91%) in the consolidated financials is contributed by CSL.

Outlook: Stable

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

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 ICT 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 84% of its business from its learning solution services, while the balance is derived from software development and wind power generation. The company has completed five 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.

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

Healthy profitability though scale of operations and revenue visibility remains limited

CSL's Total Operating Income (TOI) increased 29% y-o-y to Rs.70 crore in FY24, backed by adequate order execution. However, the scale of operations continued to remain limited. Its operating profitability moderated but continued to remain healthy around 17.15% in FY24 (P.Y.: 20.79%). Moderation was on account of higher share of trading nature of business activities during the year. As on June 25, 2024, CSL had an outstanding orderbook of around Rs.90 crore to be executed in the next four years, with no new major orders added post last review; translating into a limited revenue visibility. Thus, augmentation of order book along with sustained order execution shall remain crucial from the credit perspective.

Comfortable capital structure and debt coverage indicators

The capital structure of CSL stands comfortable, with a net debt-free position as on March 31, 2024, though it avails overdraft against fixed deposits to fund receivables. Its overall gearing stood comfortable at 0.27x at FY24 end, though deteriorated from 0.01x as on FY23 end with the company availing sizable FDOD limits during the year owing to some delay in receipts from the government. Net worth base stood moderate at Rs.141.77 crore as on March 31, 2024.

During FY25, the company is expected to avail a new term loan of Rs.7.00 crore for the pending capex of ~Rs.16.00 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 also remained comfortable during FY24 with PBILDT Interest Coverage ratio of ~5.61x (P.Y: 27.99x) and Total Debt/GCA of 3.31x (P.Y: 0.09x), though with some moderation from previous year owing to higher debt levels.

Key weaknesses

Tender based nature of operations with high dependence on government tenders

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 and remains limited. Therefore, it becomes imperative for the company to continually secure tenders to have revenue visibility for the future years.

Risk of delay in collections 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 three years averaged around 200 to 400 days. During FY24, the same elongated to 282 days vis-à-vis 236 days during the previous year, mainly on account of delay in receipt of payment from two Rajasthan-based projects owing to state elections and subsequent Lok Sabha elections. Realisation of the same along with sustained improvement in collection period vis-à-vis historical average 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.21 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. The hotel project is partially operational with completion expected by the end of FY25 (as against earlier estimates of Q2FY25), while the execution of the cold storage project has recently commenced and the same is also expected to complete by the end of 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.26 crore as on March 31, 2024. 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, along with improvement in the collection period shall remain critical for the liquidity profile of the entity.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

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)	March 31, 2024 (A)
Total operating income	29.65	54.62	70.32
PBILDT	-0.53	11.35	12.06
PAT	12.72	5.21	5.59
Overall gearing (times)	0.04	0.01	0.27
Interest coverage (times)	-1.08	27.99	5.61

A: Audited; 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	7.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (06-Jul-23)	-	-
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	14.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (06-Jul-23)	-	-
3	Non-fund-based - ST-Credit Exposure Limit	ST	0.84	CARE A3	-	1)CARE A3 (06-Jul-23)	-	-

LT: Long term; ST: Short term; LT/ST: 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 detailsTo view the lender wise details of bank facilities please [click here](#)**Annexure-6: List of all the entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	CSL Infomedia Private Limited	Full	Wholly-owned subsidiary

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

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Kalpesh Ramanbhai Patel Director CARE Ratings Limited Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in
Relationship Contact Pradeep Kumar V Senior Director CARE Ratings Limited Phone: 914428501001 E-mail: pradeep.kumar@careedge.in	Nikita Goyal Associate Director CARE Ratings Limited Phone: 079-40265617 E-mail: nikita.goyal@careedge.in Chinmay Soni Rating Analyst CARE Ratings Limited E-mail: Chinmay.Soni@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**