

Press Release

Telecommunication Consultants India Limited

22 December, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 1500 Cr.*
Long Term Rating	SMERA A+/ Outlook: Stable
Short Term Rating	SMERA A1+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA A+**' (read as **SMERA A Plus**) and short term rating of '**SMERA A1+**' (read as **SMERA A one plus**) on the Rs. 1500.00 crore bank facilities of Telecommunication Consultants India Limited (TCIL). The outlook is '**Stable**'.

TCIL, incorporated in 1978, is wholly owned by the Department of Telecommunications, Government of India. It undertakes turnkey and consultancy projects in India and abroad, primarily in the access network segment. These projects involve ducting and cabling for network rollouts. The company also undertakes other operations including maintenance of telecom networks, civil and architectural projects and provides consultancy for network design and information technology. TCIL has diversified into other activities such as civil construction of buildings and undertakes road projects on a build-operate-transfer basis. The company has presence in over 50 countries. TCIL also has three toll road projects, of which two are operational.

Key rating drivers

Strengths

Government of India undertaking: TCIL is a wholly owned entity of the Government of India. The company is under administrative control of Department of Telecommunications, Ministry of Communications. Apart from the equity, the company has financial support from the Government of India in the form of loan of Rs. 72.00 crore (outstanding as on 31st March, 2017). Apart from financial support, TCIL will benefit from its experienced management which comprises qualified professionals and nominees of GOI – Chairman, Mr. Seshagiri Rao Annangi is a GOI nominee.

SMERA believes that TCIL will continue to benefit from its ongoing financial and operational support from government. The continuing ownership and support from GOI will be a key rating sensitivity factor.

Established track record of project execution and long standing relationships with marquee clients: TCIL, incorporated in 1978 has presence in Oman, Myanmar, Mauritius, Saudi Arabia, Africa among other countries. It has long standing relations with BSNL, Ministry of Post, Ministry of External Affairs, Myanmar Telecom, Mauritius Telecom to name a few. TCIL had order book position of Rs.1307.66 crore as on 31 March, 2017. The company bagged orders worth Rs.300 crore from Saudi Telecom. It is expected to benefit from the initiatives of GOI to increase efficiency, effectiveness, accountability and transparency through e-governance. SMERA believes that TCIL as an established player in the telecom related infrastructure segment will benefit from these initiatives.

Healthy financial risk profile: TCIL has a healthy financial risk profile marked by net worth of Rs. 540.82 crore as on 31 March, 2017 (Rs. 468.98 crore as on 31 March, 2016). The gearing improved from 0.38 times as on 31 March, 2016 to 0.18 times as on 31 March, 2016. The total debt of Rs. 95.38 crore comprises soft loan of Rs. 72.00 crore from Government of India, Rs. 23.00 crore of term loan from the bank and working capital borrowings of Rs. 0.38 crore as on 31 March, 2017. The company has fund based limits of Rs. 231.00 crore. It also has non-fund based limits of Rs. 975.80 crore, since the project executed by the company requires non-fund based limits. The interest coverage ratio stood at 9.51 times in FY2017 as against 4.67 times in FY2016. This is mainly due to reduction in interest expenses in FY2017. The net cash accruals stood at Rs.79.75 crore in FY2017 (Rs. 48.02 crore in FY2016).

The profitability in FY2017 was mainly supported by other income of Rs. 65.36 crore (out of Rs. 157.56 crore PBT) which comprises dividends from investments in joint ventures and other non-operating income.

Going forward, SMERA expects the company to maintain its financial risk profile on the back of support from GOI and healthy network.

Weaknesses

Susceptibility of operating income due to tender based nature of operations: TCIL reported operating income of Rs. 1112.72 crore for FY2017 as against Rs. 1313.91 crore for FY2016 and Rs. 797.45 crore for FY2015. The company exhibits fluctuations in its operating income as it is majorly dependent on government tenders for its orders. The tender-based nature of operations makes it vulnerable to order cyclicity. Any slowdown in receipt of orders or delays in execution will impact revenues and affect operating performance.

Working capital intensive operations: The operations are working capital intensive evident from its gross current assets (GCA) days of 621 in FY2017 as against 481 days in FY2016. This is mainly on account of the nature of the projects executed by the company. The company receives payments on milestone basis (the billings are linked to achievement of certain milestones). The debtor days stood at 364 in FY2017 and 270 in FY2016. Further, the other current assets includes sundry items such as receivables (cost in excess of billing) of Rs. 726.66 crore, deposits of Rs. 30.00 crore and advance tax of Rs. 64.88 crore. Notwithstanding the high GCA days, the company's dependence on bank limits has been modest, since it has been able to avail extended credit terms from its vendors and sub-contractors.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Telecommunication Consultants India Limited to arrive at the rating.

Outlook – Stable

SMERA believes that TCIL will maintain a stable outlook in the medium term on the back of the support of Government of India, established track record of project execution and relations with reputed clients. The outlook may be revised to 'Positive' in case of significant and sustainable growth in revenue while maintaining operating margins and efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of a sharp decline in net cash accruals and significant elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	1112.72	1313.91	797.45
EBITDA	Rs. Cr.	117.71	111.36	34.86
PAT	Rs. Cr.	69.67	36.74	21.37
EBITDA Margin	(%)	10.58	8.48	4.37
PAT Margin	(%)	6.26	2.80	2.68
ROCE	(%)	27.05	20.57	16.22
Total Debt/Tangible Net Worth	Times	0.18	0.38	0.48
PBDIT/Interest	Times	9.51	4.67	3.20
Total Debt/PBDIT	Times	0.91	1.80	3.54
Gross Current Assets (Days)	Days	621	481	604

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable):

CRISIL, vide release dated September 15, 2017 has suspended the rating of TCIL on account of lack of adequate information required for monitoring of ratings.

Rating History (Upto last three years)

Not Applicable

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	100.00	SMERA A+/ Stable (Assigned)
Overdraft	Not Applicable	Not Applicable	Not Applicable	75.00	SMERA A+/ Stable (Assigned)
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A+/ Stable (Assigned)
Overdraft	Not Applicable	Not Applicable	Not Applicable	50.00	SMERA A+/ Stable (Assigned)
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A+/ Stable (Assigned)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA A1+ (Assigned)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	90.00	SMERA A1+ (Assigned)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	97.00	SMERA A1+ (Assigned)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	37.00	SMERA A1+ (Assigned)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	300.00	SMERA A1+ (Assigned)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.78	SMERA A1+ (Assigned)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA A1+ (Assigned)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	100.00	SMERA A1+ (Assigned)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	40.00	SMERA A1+ (Assigned)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	19.02	SMERA A1+ (Assigned)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	100.00	SMERA A1+

					(Assigned)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	50.00	SMERA A1+ (Assigned)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	75.00	SMERA A1+ (Assigned)
Proposed Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	293.20	SMERA A1+ (Assigned)

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ABOUT SMERA

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