

Press Release

Telecommunications Consultants India Limited

February 06, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 1500.00 Cr.
Long Term Rating	ACUITE A+ / Outlook: Stable
Short Term Rating	ACUITE A1+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE A+**' (**read as ACUITE A plus**) and short term rating of '**ACUITE A1+**' (**read as ACUITE A one plus**) on the Rs. 1500.00 crore bank facilities of TELECOMMUNICATIONS 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.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the TCIL to arrive at this rating.

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. 63.34 crore (outstanding as on 31st March, 2018). 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.

Acuité 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, and 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.7543.16 crore as on 30 Nov, 2018. It is expected to benefit from the initiatives of GOI to increase efficiency, effectiveness, accountability and transparency through e-governance.

Acuité 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. 575.47 crore as on 31 March, 2018 (Rs. 540.82 crore as on 31 March, 2017). The gearing improved from 0.18 times as on 31 March, 2017 to 0.16 times as on 31 March, 2018. The total debt of Rs. 91.90 crore comprises soft loan of Rs. 63.34 crore from Government of India, and working capital borrowings of Rs. 28.56 crore as on 31 March, 2018. The company has fund based limits of Rs. 250.00 crore. It also has non-fund based limits of Rs. 1057 crore, since the project executed by the company requires non-fund based limits. The interest coverage ratio stood at 6.95 times in FY2018 as against 9.51 times in FY2017. This is mainly due to decline in profitability in FY2018. 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. The net cash accruals stood at Rs.59.21 crore in FY2018 (Rs. 79.75 crore in FY2018).

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

Weaknesses

- **Susceptibility of operating income due to tender based nature of operations**

TCIL reported operating income of Rs. 1209.78 crore for FY2018 as against Rs. 1112.72 crore for FY2017 and Rs. 1313.91 crore for FY2016. 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 cyclicalities. 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 657 in FY2018 as against 621 days in FY2017. 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 333 in FY2018 and 364 in FY2017. Further, the other current assets includes sundry items such as receivables (cost in excess of billing) of Rs. 965.73 crore, deposits of Rs. 65.36 crore and advance tax of Rs. 67.76 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.

Liquidity Position

TCIL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.33.02 to 79.75 crore during the four years through 2015-18, while its maturing debt obligations were in the range of Rs.17.71 to 31.67 crore over the same period. The cash accruals of the company are estimated to remain around similar range during 2019-21 while its repayment obligation are estimated to be around Rs. 31.67 Crore. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 693 in FY 2018. However, reliance on working capital borrowings has remained low, the cash credit limit in the company remains utilized at ~30 percent during the last 6 months period ended December 2018. The company maintains unencumbered cash and bank balances of Rs.30.72 crore as on March 31, 2018. The current ratio of the company stand moderate at 1.11 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité 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	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	1,209.78	1,112.72	1,313.91
EBITDA	Rs. Cr.	74.60	117.71	111.36
PAT	Rs. Cr.	46.08	70.82	51.11
EBITDA Margin	(%)	6.17	10.58	8.48
PAT Margin	(%)	3.81	6.36	3.89
ROCE	(%)	11.54	14.53	13.79
Total Debt/Tangible Net Worth	Times	0.16	0.18	0.38
PBDIT/Interest	Times	6.95	9.51	4.67
Total Debt/PBDIT	Times	1.08	0.91	1.80
Gross Current Assets (Days)	Days	693	657	504

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-Dec-2017*	Overdraft	Long Term	100.00	ACUITE A+/ Stable (Assigned)
	Overdraft	Long Term	75.00	ACUITE A+/ Stable (Assigned)
	Overdraft	Long Term	5.00	ACUITE A+/ Stable (Assigned)
	Overdraft	Long Term	50.00	ACUITE A+/ Stable (Assigned)
	Overdraft	Long Term	1.00	ACUITE A+/ Stable (Assigned)
	Bank guarantee/Letter of Credit	Short Term	30.00	ACUITE A1+ (Assigned)
	Bank guarantee/Letter of Credit	Short Term	90.00	ACUITE A1+ (Assigned)
	Bank guarantee/Letter of Credit	Short Term	97.00	ACUITE A1+ (Assigned)
	Bank guarantee/Letter of Credit	Short Term	37.00	ACUITE A1+ (Assigned)
	Bank guarantee/Letter of Credit	Short Term	300.00	ACUITE A1+ (Assigned)

Bank guarantee/Letter of Credit	Short Term	100.00	ACUITE A1+ (Assigned)
Bank guarantee/Letter of Credit	Short Term	40.00	ACUITE A1+ (Assigned)
Bank guarantee/Letter of Credit	Short Term	19.02	ACUITE A1+ (Assigned)
Bank guarantee/Letter of Credit	Short Term	100.00	ACUITE A1+ (Assigned)
Bank guarantee/Letter of Credit	Short Term	50.00	ACUITE A1+ (Assigned)
Bank guarantee/Letter of Credit	Short Term	75.00	ACUITE A1+ (Assigned)
Proposed Bank guarantee/Letter of Credit	Short Term	293.20	ACUITE A1+ (Assigned)

*Erratum was upload on 06-Jun-2018.

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A+/Stable (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	75.00	ACUITE A+/Stable (Withdrawn)
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A+/Stable (Withdrawn)
Overdraft	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A+/Stable (Withdrawn)
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A+/Stable (Withdrawn)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	150.00	ACUITE A1+ (Assigned)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A1+ (Reaffirmed)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE A1+ (Reaffirmed)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	97.00	ACUITE A1+ (Reaffirmed)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A1+ (Reaffirmed)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	300.00	ACUITE A1+ (Reaffirmed)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A1+ (Reaffirmed)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A1+ (Reaffirmed)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A1+ (Reaffirmed)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A1+ (Reaffirmed)
Bank guarantee/Letter	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A1+

of Credit					(Reaffirmed)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	75.00	ACUITE A1+ (Reaffirmed)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	193.00	ACUITE A1+ (Reaffirmed)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.78	ACUITE A1+ (Withdrawn)
Proposed Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	19.02	ACUITE A1+ (Withdrawn)

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About Acuité Ratings & Research:

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