

Press Release

Telecommunication Consultants India Limited

April 01, 2021



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 2002.00 Cr. (Enhanced from Rs.1500.00 Cr.)
Long Term Rating	ACUITE A+/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A1+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the 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.2002.00 crore bank facilities of Telecommunication Consultants India Limited (TCIL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation derives comfort from the company's long track record of operations in the industry, Government of India's (GoI) ownership and established relationship with reputed clientele. Coupled with that, the company has healthy financial risk profile, adequate liquidity with moderate bank limit utilization. TCIL has achieved revenue of Rs. 1726.73 crore in FY2020 as against Rs. 1598.46 crore in FY2019. The company has reported revenue of Rs. 724.56 crore from for the period April-September, 20. Debt to EBITDA stood at 2.09 times in FY2020 against 1.70 times in the previous year. Gearing ratio and ICR stood at 0.47 times and 4.60 times, respectively in FY2020. The rating, however, remains constrained on account of volatile operating margin mainly due to nature of business.

About the Company

TCIL, a Delhi based company 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

Acuite has considered the standalone business and financial risk profiles of 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. TCIL will benefit from its experienced management which comprises qualified professionals and nominees of GOI – Chairman, Mr. Sanjeev Kumar is a GOI nominee.

Acuite 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. 8973.16 crore as on 31 Dec, 2020. It is expected to benefit from the initiatives of GOI to increase efficiency, effectiveness, accountability and transparency through e-governance.

Acuite 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. 558.72 crore as on 31 March, 2020 (Rs. 592.21 crore as on 31 March, 2019). The gearing stood at 0.47 times as on 31 March, 2020 as against 0.28 times as on 31 March, 2019. The total debt of Rs. 262.40 crore comprises working capital borrowings of Rs. 135.70 crore as on 31 March, 2020. The company has fund based limits of Rs. 300.00 crore. It also has non-fund based limits of Rs. 1702 crore, since the project executed by the company requires non-fund based limits. The interest coverage ratio stood at 4.60 times in FY2020 as against 5.43 times in FY2019. This is mainly due to decline in profitability in FY2020. The net cash accruals stood at Rs.39.22 crore in FY2020 (Rs. 35.17 crore in FY2019).

Going forward, Acuite 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. 1726.73 crore for FY2020 as against Rs.1598.46 crore for FY2019, Rs. 1209.78 for FY2018 and 1112.72 crore for FY2017. 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. Further, the company has generated revenues of Rs. 724.56 crore (Provisional) for the period April-September, 2020. 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 FY2020 as against 632 days in FY2019. 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 371 as on 31 March 2020 and 350 as on 31 March 2019. Further, the other current assets includes sundry items such as receivables (cost in excess of billing) of Rs.1079.77 crore, deposits of Rs. 115.28 crore and advance tax of Rs. 49.52 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.

Rating Sensitivity

- Significant improvement in operating performance.
- Stretched working capital cycle and liquidity.

Material Covenants

None

Liquidity Position – Adequate

TCIL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.35.17 to 80.90 crore during the four years through 2017-20, 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 2020-22. The company's operations are working capital intensive as marked by Gross Current Asset (GCA) days of 657 in FY 2020. However, reliance on working capital borrowings has remained low, the cash credit limit in the company remains utilized at ~34 percent during the last 6 months period ended December 2020. The company maintains unencumbered cash and bank balances of Rs.17.25 crore as on March 31, 2020. The current ratio of the company stand moderate at 1.06 times as on March 31, 2020. 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

Acuite 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	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	1726.73	1598.46
PAT	Rs. Cr.	44.43	43.90
PAT Margin	(%)	2.57	2.75
Total Debt/Tangible Net Worth	Times	0.47	0.28
PBDIT/Interest	Times	4.60	5.43

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
02-Mar-2020	Overdraft	Long Term	100.00	ACUITE A+/Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE A+/Stable (Reaffirmed)
	PC/PCFC	Short Term	150.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	45.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	200.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	97.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	20.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	300.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	80.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	100.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	40.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter	Short Term	100.00	ACUITE A1+

	of Credit			(Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	50.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	75.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	93.00	ACUITE A1+ (Reaffirmed)
06-Feb-2019	Overdraft	Long Term	100.00	ACUITE A+/Stable (Reaffirmed)
	Overdraft	Long Term	75.00	ACUITE A+ (Withdrawn)
	Overdraft	Long Term	5.00	ACUITE A+ (Withdrawn)
	Overdraft	Long Term	50.00	ACUITE A+ (Withdrawn)
	Overdraft	Long Term	1.00	ACUITE A+ (Withdrawn)
	PC/PCFC	Short Term	150.00	ACUITE A1+ (Assigned)
	Bank guarantee/Letter of Credit	Short Term	45.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	200.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	97.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	20.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	300.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	30.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	100.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	40.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	100.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	50.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	75.00	ACUITE A1+ (Reaffirmed)
	Proposed Bank guarantee/Letter of Credit	Short Term	193.00	ACUITE A1+ (Reaffirmed)
	Bank guarantee/Letter of Credit	Short Term	7.78	ACUITE A1+ (Withdrawn)
	Bank guarantee/Letter of Credit	Short Term	19.02	ACUITE A1+ (Withdrawn)

***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)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A+/Stable (Reaffirmed)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	150.00	ACUITE A1+ (Reaffirmed)
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	600.00	ACUITE A1+ (Reaffirmed)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	80.00	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	135.00	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	50.00	ACUITE A1+ (Reaffirmed)
Bank guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	75.00	ACUITE A1+ (Reaffirmed)

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About Acuité Ratings & Research:

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