



Press Release
Telecommunication Consultants India Limited
November 22, 2024
Rating Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	259.86	ACUITE AA- Stable Upgraded	-
Bank Loan Ratings	2327.14	-	ACUITE A1+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	2587.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating from 'ACUITE A+' (read as ACUITE A plus) to 'ACUITE AA-' (read as ACUITE Double A minus) on long term bank facility of Rs. 259.86 Cr. Further, Acuite has reaffirmed short term rating of 'ACUITE A1+' (read as ACUITE A one plus) on Rs. 2327.14 crore of bank facilities of Telecommunications Consultants India Limited (TCIL). The outlook is 'Stable'.

Rationale for rating

The upgrade in the rating factors in the status of the company as Government of India (GOI) undertaking further the rating factors the improved scale of operations of the company alongwith improved financial risk profile, strong liquidity profile as evident from and coverage position of the company. TCIL has received additional receivables against disinvestment in Bharti Hexacom Limited (BHL) to the tune of Rs. 4202 Cr. approximately. However, approximately Rs. 3728 Cr. transferred to GOI in the form of special dividend. However, the rating is constraints due to the growing competition in the industry and tender based nature of operation which results in susceptibility of margins. Further the company's working capital operations remains stretched with a high GCA due to delayed realization of bills.

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 footprint in over 50 countries.

Unsupported Rating

Not Applicable.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Telecommunications Consultants India Limited (TCIL) to arrive at the 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 is likely to continue to benefit from its experienced management which comprises qualified professionals and nominees of GOI – CMD, Mr. Sanjeev

Kumar is a GOI appointee. 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 continue to remain 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. 6,970.87 crore as on 31-August-2024. It is expected to benefit from the initiatives of GOI to increase efficiency, effectiveness, accountability and transparency through e- governance. TCIL has also been awarded another order of Rs. 3000 Cr. from BSNL, however the letter of acceptance is awaited. Acuité believes that TCIL as an established player in the telecom related infrastructure segment will benefit from these initiatives.

Improvement in scale of Operations & profitability

The company's revenue from operations improved by 32.43%, thereby increasing the topline from Rs. 1,919.10 Cr. in FY 2023 to Rs. 2,541.51 Cr. in FY 2024. This is due to ability of the company to timely execute the orders and bag the fresh orders. The EBITDA margin of the company stood at 3.62% in FY 2024 as against 2.72% in FY 2023 and the PAT margin of the company stood at 2.89% in FY 2024 against 1.85% in FY 2023. The improvement in operational margin is mainly due to reduction in sub-contracting cost. Though the company's profitability is exposed to volatility in raw material, it has an in-built price escalation clause for major raw materials in most of its contracts. Acuité believes that the company is expected to have better top-line in near to medium term supported by stable margins as compared to previous years on account of better order book.

Healthy Financial Risk Profile

The financial risk profile of the company is healthy marked by net-worth of Rs. 673.23 Crore as on 31st March 2024 against Rs. 618.56 Crore as on 31st March 2023. This is mainly due to accretion of profits into reserves. The gearing ratio of the company is stood at 0.02 times as on 31st March 2024. Further, the coverage indicators of the company improved reflected by interest coverage ratio and debt service coverage ratio of the company are comfortable marked by ISCR which stood at 9.80 times in FY 2024 against 8.11 times in FY 2023 and DSCR stood at 6.87 times in FY 2024 against 5.31 times in FY 2023. DEBT-EBITDA of the company stood at 0.12 times and ROCE is 21.50% as on 31st March 2024. Acuité believes that going forward the financial risk profile of the company will remain strong with no major debt funded capex plans.

Weaknesses

Working Capital Intensive Operations

The company's operations albeit improvement in current year remained working capital intensive as marked by gross current asset (GCA) days of 418 as on 31st March 2024 as compared to 576 days on 31st March 2023. This is mainly because 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 214 days as on 31 March 2024 as compared to 328 days as on 31 March 2023. The stretch in debtors is on account of delay in payment by government institutions. Notwithstanding the high GCA days, the company's dependence on bank limits has been low, the lower limit utilization is attributed to the back to back debtor creditor arrangement of the company wherein the company will pay to its creditors only when the bills are paid by the corresponding debtors supporting the liquidity of the company.

Susceptibility of operating income due to tender based nature of operations

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.

ESG Factors Relevant for Rating

The telecommunication industry is significantly exposed to risks associated with regulatory compliance, anti-competitive behaviour and business ethics. Furthermore, management & board compensation, board independence & diversity, audit committee role, financial audit & control and shareholders' rights are the key material governance issues for this industry. Among social factors, labour management and employee safety as well as development are prominent. Providing equal opportunity to the employees, developing & supporting the surrounding communities, product quality, human rights and responsible procurement also have a significant impact on the social scores for this industry. On the environmental side, GHG emissions, energy efficiency, environmental management and water efficiency are the key material issues for this industry. TCIL has proven record of commitment towards Quality Management, Environmental Management and Occupational Health and Safety. Company further provides opportunity to differently abled employees and special arrangements are in place for their convenience at work. TCIL employee strength as on 31.03.2024 is 729 out of which 97 are female employees; while there is scope of improvement in gender diversity, the company provides equal opportunity to every employee. The company has a Risk Management Committee to identify and mitigate any kind of risk in the organisation. Further the company has well drafted whistle blower policy and internal audit team to monitor the compliance of policies and processes. The company is working towards energy conservation and reduce its carbon

footprints; a microprocessor enabled building management system and a solar unit within the TCIL premises are examples of such efforts.

Rating Sensitivities

- Company's ability to grow its revenue significantly and improve profitability substantially
- Company's ability to grab more tenders
- Working capital management

Liquidity Position

Strong

The liquidity profile of the company is strong marked by generating net cash accruals of Rs. 77.85 Cr. in FY 2024 against the absence of debt obligation for the same period giving legroom for growth fund. The company has cash & bank balance of Rs. 16 Cr. and current ratio stood at 1.06 times for FY 24. TCIL has received additional receivables against disinvestment in Bharti Hexacom Limited (BHL) to the tune of Rs. 4202 Cr. approximately. However, approximately Rs. 3728 Cr. transferred to GOI in the form of dividend. The balance is in the form of deposits of TCIL as free cash. The company is hardly utilizing their working capital limits as majorly operating from internal accruals. Acuite believes that going forward, liquidity profile of the company will remain strong with the steady accruals and no major debt funded capex.

Outlook - Stable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	2541.51	1919.10
PAT	Rs. Cr.	73.37	35.49
PAT Margin	(%)	2.89	1.85
Total Debt/Tangible Net Worth	Times	0.02	0.00
PBDIT/Interest	Times	9.80	8.11

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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Aug 2023	Secured Overdraft	Long Term	100.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A+ Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	0.14	ACUITE A1+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	600.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	80.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	300.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	135.00	ACUITE A1+ (Reaffirmed)
	PC/PCFC	Short Term	150.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	100.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	250.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	197.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	150.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	319.86	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	80.00	ACUITE A1+ (Assigned)
03 Jun 2022	Secured Overdraft	Long Term	100.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE A+ Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	50.00	ACUITE A+ Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE A+ Stable (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	200.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	20.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	600.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	80.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	300.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	135.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	100.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	50.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	100.00	ACUITE A1+ (Assigned)
	PC/PCFC	Short Term	150.00	ACUITE A1+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	250.00	ACUITE A1+ (Assigned)
	Bank Guarantee (BLR)	Short Term	100.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	117.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	80.00	ACUITE A1+ (Assigned)
01 Apr 2021	Cash Credit	Long Term	50.00	ACUITE A+ Stable (Reaffirmed)
	Secured Overdraft	Long Term	100.00	ACUITE A+ Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	45.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	200.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	97.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	600.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	80.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	300.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	135.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	100.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	50.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	75.00	ACUITE A1+ (Reaffirmed)
	PC/PCFC	Short Term	150.00	ACUITE A1+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Punjab and Sind Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	100.00	Simple	ACUITE A1+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	250.00	Simple	ACUITE A1+ Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	197.00	Simple	ACUITE A1+ Reaffirmed
IDBI Bank Ltd.	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	250.00	Simple	ACUITE A1+ Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	350.00	Simple	ACUITE A1+ Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.14	Simple	ACUITE A1+ Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	600.00	Simple	ACUITE A1+ Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	80.00	Simple	ACUITE A1+ Reaffirmed
Indian Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	300.00	Simple	ACUITE A1+ Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE A1+ Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE AA- Stable Upgraded (from ACUITE A+)
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE AA- Stable Upgraded (from ACUITE A+)
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE AA- Stable Upgraded (from ACUITE A+)
Bank of Baroda	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	150.00	Simple	ACUITE A1+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	34.86	Simple	ACUITE AA- Stable Upgraded (from ACUITE A+)
Bank of Baroda	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	100.00	Simple	ACUITE AA- Stable Upgraded (from ACUITE A+)

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About Acuité Ratings & Research

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