

Press Release

Zerone Technologies Private Limited

27 January, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 22.00 Cr
Long Term Rating	SMERA AA (SO)/Stable# (Assigned)

*Refer Annexure for details

Rating based on credit enhancement in the form of Standby Letter of Credit (SBLC)

Rating Rationale

SMERA has assigned long-term rating of '**SMERA AA (SO)**' (read as **SMERA double A Structured Obligation**) on the Rs. 22.00 crore bank facilities of Zerone Technologies Private Limited (ZTPL). The outlook is '**Stable**'.

SMERA has assigned the rating based on the Credit enhancement in the form of Standby Letter of Credit (SBLC) issued by Doha Bank to secure these facilities to ZTPL. The facilities (two overdraft facilities) of Rs.22.00 crore are secured by SBLC from Doha Bank, Qatar.

About the rated entity:

ZTPL, incorporated in 2012 is a 99 percent subsidiary of Qatar-based Zerone Technology Security Service WLL with ultimate holding company, Al Sulaiman Holdings. Zerone Technology Security Service WLL is a Qatar-based company established in 2010 as a branch of Al Sulaiman Holding WLL. ZTPL is engaged in the trading and maintenance of computer hardware and software accessories and ancillaries, preparing programs, computer systems and its maintenance and repair office equipments in Qatar.

ZTPL commenced operations in 2013 and is engaged in supplying, installation and maintenance of IT products and services. The company mainly acquires new greenfield IT implementation projects primarily in the hospitality sector across the country. The company provides services including structured cabling, network switching, servers & storage, telephone systems, security etc. The company presently caters to corporate customers and also undertakes sub-contracts from companies catering to government bodies. The day-to-day operations are led by Directors, Mr. Vasudevan Krishnamoorthy, Mr. Vaibhav Srivastava, Mr. Rahul Mathura, Mr. Ravi Wankhade and others.

About Doha Bank:

Doha Bank is a global commercial bank headquartered in Qatar. The branch offices are located at Dubai, Kuwait, Abu Dhabi, India with representative offices in Japan, China, Singapore, Hong Kong and other countries. For CY2016, the bank reported operating income of QAR 274.96 million and Operating profit of QAR 105.19 million. Further, the total asset of the bank stood at QAR 9036.49 million and shareholders' equity of QAR 258.37 million as on 31 December, 2016.

List of key rating drivers and their detailed description

Strengths

Facilities secured by SBLC from Doha Bank

The bank facilities to ZTPL comprise two overdraft facilities aggregating Rs. 22.00 crore which are secured by a SBLC from Doha Bank Qatar. The SBLC from Doha Bank are valid till April 30, 2018. The SBLC are renewed on an annual basis. The rating assumes that these SBLCs will be renewed in a timely manner so as to cover the lending bank's exposure till the maturity of the facilities. Similarly the rating is also sensitive to changes in the credit profile of SBLC issuing bank i.e. Doha Bank.

Established presence in the Information Technology industry

ZTPL is a wholly-owned subsidiary of Qatar based Zerone Technology Security Service WLL which is part of the Al Sulaiman Holdings. The group was established in 1986 in Qatar with interests in diversified industries including luxury retail, jewellery, tourism & hospitality, trading, manufacturing industrial services among others. The group has presence in several countries including UAE, Saudi Arabia, Bahrain, Jordan, India, Malayasia, Nigeria, Italy and USA. ZTPL commenced operations in 2013 and is engaged in providing system integration services including products and solutions in IT, Telecom infrastructure and software solutions.

The company mainly caters to the hospitality sector across the country. Its marquee clients include Sai Chakra Hotels Private Limited (Sheraton), Everest Hospitality and Hotel Private Limited (Fairfield by Marriott), Panchshil Corporate Park Private Limited (Ritz Carlton), Fabworth Promoters Private Limited (JW Marriot). The day-to-day operations are led by Directors, Mr. Vasudevan Krishnamoorthy, Mr. Vaibhav Srivastava, Mr. Rahul Mathur, Mr. Ravi Wankhade to name a few who possess extensive experience in the IT infrastructure industry. Mr. Vasudevan Krishnamoorthy is the group CEO for Al Sulaiman Holdings and Mr. Ravi Wankhade has been working with Qatar-based parent company Zerone Technologies Security Services WLL engaged in the same line of business.

SMERA believes that ZTPL will be able to maintain a healthy business risk profile over the near to medium term on the back of its established relation with reputed clientele.

Weaknesses:

Working capital intensive operations

The operations are working capital intensive with Gross Current Asset days (GCA) of 143 days for FY2017 as against 105 days in the previous year. The stretched GCA days are on account of stretched debtor days of 108 days for FY2017 as against 85 days in the previous year. The liquidity position is comfortable with average cash credit limit utilisation at ~ 37 percent during the last six months ended 31 October, 2017.

Exposed to intense competition

The company is exposed to intense competition in the IT and IT enabled service industry.

Analytical approach:

SMERA has considered credit enhancement in the form of SBLC from Doha Bank while arriving at the rating. Any change in the credit profile of the SBLC issuing bank will be a key rating sensitivity.

Outlook: Stable

SMERA believes that the outlook for the facilities of ZTPL will remain 'Stable' over the medium term as the same will be continuously supported in the form of SBLC from Doha Bank. The outlook may be revised to 'Positive' in case of significant improvement in credit profiles of the guaranteeing bank. Conversely, the outlook may be revised to 'Negative' in case of substantial decline in credit quality of Doha Bank.

About the Rated Entity –Key Financials

Particulars	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	15.07	9.34	7.51
EBITDA	Rs. Cr.	0.71	-0.32	-0.91
PAT	Rs. Cr.	0.16	-0.22	-0.79
EBITDA Margin	(%)	4.70	-	-
PAT Margin	(%)	1.06	-	-
ROCE	(%)	32.76	-	-
Tangible Net Worth	Rs. Cr.	-0.24	-0.40	-0.18
PBDIT/Interest	Times	2.84	-	-
Total Debt/PBDIT	Times	4.92	-	-
Gross Current Assets	Days	143	105	129

Applicable Criteria

- Service Entities –<https://www.smera.in/criteria-service.htm>
- Default Recognition - <https://www.smera.in/criteria-deafult.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Structured transactions –<https://www.smera.in/criteria-securitization.htm>

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the 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 I	N.A	N.A	N.A.	10.00	SMERA AA(SO)/Stable (Assigned)
Overdraft I	N.A	N.A	N.A.	12.00	SMERA AA(SO)/Stable (Assigned)

Note on complexity levels of the rated instrument:

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

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Shashikala Hegde, Senior Rating Analyst, Tel: 022-67141111 Email: shashikala.hegde@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

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