

## Change in Rating Symbol

September 16, 2019

### Zerone Technologies Private Limited

Total Bank Facilities Rated	Rs. 30.00 Cr
Long Term Rating	ACUITE AA (CE)/ Stable#
Short Term Rating	ACUITE A1+ (CE)

*# Credit enhancement in the form of Standby Letter of Credit (SBLC) from Doha Bank, Qatar*

Pursuant to SEBI Circular SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019 there is a revision in the rating symbol. The change to 'CE' suffix / removal of 'SO' suffix for the rated instrument(s) is not to be construed as any change in the rating or Acuite's credit opinion on the said instrument(s). The previous rating rationale is appended herewith for reference.

For the background note, please visit: [https://www.acuite.in/pdf/General%20Communication%20For%20Website%20\(1\).pdf](https://www.acuite.in/pdf/General%20Communication%20For%20Website%20(1).pdf)

Criteria for assigning ratings with 'SO' suffix: <https://www.acuite.in/view-rating-criteria-48.htm>

Criteria for assigning ratings with 'CE' suffix: <https://www.acuite.in/view-rating-criteria-49.htm>

## Press Release

Zerone Technologies Private Limited

D-U-N-S® Number: 65-077-6110

March 06, 2019

### Rating Reaffirmed and Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 30.00 Cr.
<b>Long Term Rating</b>	ACUITE AA (SO)/ Outlook: Stable#
<b>Short Term Rating</b>	ACUITE A1+ (SO)

\* Refer Annexure for details

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

### Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE AA (SO)**' (read as **ACUITE double A Structured Obligation**) on the Rs. 20.00 crore bank facilities of Zerone Technologies Private Limited (ZTPL). The outlook is '**Stable**'.

Also, Acuité has assigned short-term rating of '**ACUITE A1+ (SO)**' (read as **ACUITE A one plus Structured Obligation**) on the Rs. 10.00 crore bank facilities of ZTPL.

Acuité 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 of Rs.29.50 crore are secured by SBLC from Doha Bank, Qatar.

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 (ZTSS) is a Qatar-based company established in 2010 as a branch of Al Sulaiman Holding WLL. ZTSS 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, healthcare and education 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 CY2017, the bank reported operating income of QAR 294.58 million and Operating profit of QAR 111.00 million. Further, the total asset of the bank stood at QAR 9349.52 million and shareholders' equity of QAR 310.04 million as on 31 December, 2017.

### Analytical Approach

Acuité 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.

## **Key Rating Drivers**

### **Strengths**

- **Facilities secured by SBLC from Doha Bank**

The bank facilities to ZTPL comprise overdraft and bank guarantee facilities aggregating Rs. 29.50 crore which are secured by a SBLC from Doha Bank Qatar. The SBLC from Doha Bank are valid till June 30, 2019. 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, Malaysia, 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 Marriott). 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.

Acuite 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 226 days for FY2018 as against 143 days in the previous year. The stretched GCA days are on account of stretched debtor days of 206 days for FY2018 as against 108 days in the previous year. The liquidity position is comfortable with average cash credit limit utilisation at ~ 33.32 percent during the last six months ended 31 January, 2019.

- **Exposed to intense competition**

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

### **Liquidity Position**

ZTPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.26 to 2.17 crore during the three years through 2016-18, while its maturing debt obligations were of Rs.0.04 crore over the same period. The cash accruals of the company are estimated to remain in similar range during 2019-21. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 206 in FY 2018. However, the company's reliance on working capital borrowings was low, the cash credit limit in the company remains utilized at ~33 percent during the last 6 months period ended January 2018. The company maintains unencumbered cash and bank balances of Rs.0.27 crore as on March 31, 2018. The current ratio of the company stand moderate at 1.12 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

Acuite 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	27.58	15.07	9.34
EBITDA	Rs. Cr.	3.60	0.71	(0.32)
PAT	Rs. Cr.	1.96	0.16	(0.22)
EBITDA Margin	(%)	13.05	4.70	(3.43)
PAT Margin	(%)	7.10	1.06	(2.34)
ROCE	(%)	66.61	32.76	(25.46)
Total Debt/Tangible Net Worth	Times	3.33	(14.53)	(5.34)
PBDIT/Interest	Times	5.85	2.84	(0.54)
Total Debt/PBDIT	Times	1.58	4.62	(23.66)
Gross Current Assets (Days)	Days	226	143	105

### 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>
- Entities in Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Securitized Transactions - <https://www.acuite.in/view-rating-criteria-29.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
15-Nov-2017	Overdraft	Long Term	10.00	ACUITE AA (SO)/ Stable (Assigned)
	Proposed Overdraft	Long Term	12.00	ACUITE AA (SO)/ Stable (Assigned)

**\*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	19.50 (enhanced from Rs.10.00 Cr)	ACUITE AA (SO)/ Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A1+ (SO) (Assigned)
Proposed Overdraft	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE AA (SO)/ Stable (Reaffirmed)

^Includes sublimit of export credit (pre and post shipment) of Rs. 2.00 crore, Bill Discounting of Rs.0. 75 crore; Letter of Credit of Rs. 10.00 crore.

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**About Acuité Ratings & Research:**

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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