



Press Release

Zerone Technologies Private Limited

May 06, 2021

Rating Reaffirmed, Withdrawn & Assigned

Total Bank Facilities Rated*	Rs. 30.00 crore*
Long Term Rating	ACUITE AA (CE)/ Outlook: Stable (Reaffirmed & Assigned)
Short Term Rating	ACUITE A1+ (CE) (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE AA (CE)**' (read as **ACUITE double A Credit Enhancement**) on the Rs. 29.50 crore bank facilities Zerone Technologies Private Limited (ZTPL). The outlook is '**Stable**'.

Acuite has withdrawn the short-term rating of '**ACUITE A1+**' (read as **ACUITE A one plus Credit Enhancement**) on the Rs. 10.00 crore bank facilities of ZTPL.

Acuite has assigned the long-term rating of '**ACUITE AA (CE)**' (read as **ACUITE double A Credit Enhancement**) on the Rs. 0.50 crore bank facilities Zerone Technologies Private Limited (ZTPL). The outlook is '**Stable**'.

About the company

The rating continues to derive comfort from credit enhancement in the form of Standby Letter of Credit (SBLC) issued by Doha Bank, Mumbai to secure these facilities availed by ZTPL. The facilities amounting to Rs. 29.50 crore are secured by SBLC from Doha Bank, Qatar. Current SBLC is valid till 30th June, 2021.

About the company

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 repairing of office equipment in Qatar.

ZTPL commenced operations in 2013 and is engaged in supplying, installation and maintenance of IT products and services. The company mainly acquires 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 subcontracts 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 CY2020, the bank reported operating income of QAR 2,937.11 million and profit of QAR 703.02 million. Further, the total assets of the bank stood at QAR 103,540.27 million and shareholders' equity of QAR 3100.47 million as on 31 December, 2020.

Standalone (Unsupported) Rating

ACUITE B+

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 of ZTPL includes overdraft facility amounting to Rs. 29.50 crore which is secured by an SBLC from Doha Bank, Qatar. Bank Guarantee limit has been converted to a sub-limit of overdraft facility. The SBLC from Doha Bank is valid till June 30, 2021. The SBLC is 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. Further, credit profile of SBLC issuing bank i.e. Doha Bank will be a key rating sensitivity.

• 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.

ZTPL's marquee clients include NHAI, Genpact, Panchshil Corporate Park Private Limited (Ritz Carlton) and Fabworth Promoters Private Limited (JW Marriot), to name a few. 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 associated with Qatar-based parent company Zerone Technologies Security Services WLL, engaged in the same line of business.

Acuité believes that ZTPL will continue to benefit from its established track record of operations, experienced management and its established relationships with its reputed clientele.

Weaknesses

• Working capital intensive operations

The operations are working capital intensive with Gross Current Asset days (GCA) of 360 days for FY2020 as against 310 days in the previous year. The stretched GCA days are on account of stretched debtor days of 247 days for FY2020 as against 253 days in the previous year. The liquidity position is comfortable with average cash credit limit utilization at ~69 per cent during the last eleven months ended February, 2020.

• Exposed to intense competition

The company is exposed to intense competition in the IT and IT enabled service industry. Company has to compete with Indian IT majors such as TCS, Infosys, Cognizant, and Wipro; and also global players such as International Business Machines Corporation, Accenture, and Computer Sciences Corporation. Acuite believes that though ZTPL, with its diversified service and vertical mix along with deeper client mining, will continue to register healthy revenue growth over the medium term, it will remain exposed to intense competition from its peers in the industry.

Rating Sensitivity

- Significant improvement in its working capital management with GCA days of less than 200 days
- Improvement in scale of operations

Material Covenants

None

Liquidity: Stretched

The company has stretched liquidity profile marked by negative net cash accruals to its maturing debt obligations. The company registered cash loss of Rs. 1.40 crore for FY2020 as against debt obligations of ~Rs. 0.04 crore for the same period. ZTPL's working capital operations are intensive marked by gross current asset (GCA) of 360 days for FY2020. The company maintains unencumbered cash and bank balances of Rs. 0.21 crore as on 31 March, 2020. The current ratio stood at 0.87 times as on 31 March, 2020. Acuite believes that the liquidity of the company is likely to improve over the medium term on account of improvement in operating performance resulting into adequate cash accruals against debt 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 SBLC shall be rolled over from time to time to cover limits with Doha Bank (Mumbai) on a continuous basis. 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	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	23.96	25.19
PAT	Rs. Cr.	(1.57)	0.70
PAT Margin	(%)	(6.57)	2.78
Total Debt/Tangible Net Worth	Times	23.47	4.57
PBDIT/Interest	Times	(0.29)	1.71

Status of non-cooperation with other CRA

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Services Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Explicit Credit Enhancement - <https://www.acuite.in/view-rating-criteria-49.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to previous three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-Feb-2020	Overdraft	Long term	20.00 [^]	ACUITE AA (CE)/ Stable (Reaffirmed)
	Bank Guarantee	Short term	10.00 ^{**}	ACUITE A1+ (CE) (Reaffirmed)
06-Mar-2019	Cash Credit	Long term	19.50	ACUITE AA (CE)/ Stable (Reaffirmed)
	Bank Guarantee	Short term	10.00	ACUITE AA (CE)/ Stable (Reaffirmed)
	Proposed Overdraft	Long term	0.50	ACUITE AA (CE)/ Stable (Reaffirmed)
15-Nov-2017	Overdraft	Long term	10.00	ACUITE AA (CE)/ Stable (Assigned)
	Proposed Overdraft	Short term	12.00	ACUITE AA (CE)/ Stable (Assigned)

[^]Includes sublimit of export credit (pre and post shipment) of Rs. 2.00 crore and Bill Discounting of Rs.0. 75 crore.

[#]Letter of Credit of Rs. 10.00 crore.

*Annexure 1 – 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	29.50	ACUITE AA (CE)/ Stable (Reaffirmed)
Proposed Long-term Bank facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE AA (CE)/ Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A1+ (Withdrawn)

[^]Includes sublimit of export credit (pre and post shipment) of Rs. 2.00 crore, Bill Discounting of Rs. 7.5 crore, Letter of Credit of Rs. 10.00 crore and Bank Guarantee of Rs. 10.00 crore.

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Charu Mahajan Rating Analyst - Rating Operations Tel: 011-49731313 charu.mahajan@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research 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 8,383 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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