

**Press Release**

**Zerone Technologies Private Limited**

**August 04, 2022**

**Rating Reaffirmed**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE AA   CE   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	30.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long term rating at '**ACUITE AA (CE)**' (read as **ACUITE double A (Credit Enhancement)**) on Rs.30.0 crore bank facilities of '**Zerone Technologies Private Limited (ZTPL)**'. The outlook is '**Stable**'.

**Rationale for reaffirmation**

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. Current SBLC is valid till 30th June, 2023. The rating further factors in established track record of parent entity; Zerone Technology Security Service WLL with ultimate holding company, Al Sulaiman Holdings, improvement in financial performance in FY22 (Prov.) and adequate liquidity. The rating is, however constrained by moderate financial risk profile led by small scale of operations and elongated working capital cycle.

**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 Mathur, 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 355.76 crore and profit of QAR 70.38 crore. Further, the total assets of the bank stood at QAR 10110.32 crore and shareholders' equity of QAR 310.05 crore as on 31 December, 2021.

### **Analytical Approach**

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, 2023.

### **Standalone (Unsupported) Rating**

ACUITE B+

### **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, 2023. 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, 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.

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.

##### **Improvement in operating performance in FY22 (Prov.)**

The total operating income of the company improved to Rs. 31.23 crore in FY22 (Prov.) as against Rs.18.57 crore in FY21, thereby reporting y-o-y growth of ~68% during the year. The same is on account of increased execution of orders led by resumption of economic activities post COVID unlock. In line with operating income, operating profit also increased to Rs.3.59 crore in FY22 (Prov.) over Rs.0.95 crore during FY21. The same is also led by relative decline in cost of material consumed as proportion to revenue. Consequently, the company reported net profit of Rs.0.90 crore in FY22 as against net loss of Rs.0.71 crore in FY21. In line with profitability level, operating profit margins also improved significantly to 11.50% in FY22 (Prov.) as against 5.12% in FY21. The net profit margin remained at 2.88% in FY22 (Prov.).

The company has an outstanding unexecuted order book of Rs.29.07 crore which is to be executed during FY23. Further, during Q1FY23, the company has already reported billing of ~Rs.6.0 crore. Hence, with resumption of economic activity, the total operating income of the company is expected to improve going ahead.

## **Weaknesses**

### **Moderate financial risk profile**

The capital structure of the company as represented by debt-equity ratio continues to remain at higher level at 34.63 times in FY22 (Prov.) as against 765.40 times in FY21. The same is due to small scale of operations led by lower tangible net worth of Rs.0.96 crore as on March 31, 2022 (Prov.) as against Rs.0.04 times as on March 31, 2021. The tangible net worth of the company has been eroded over the years on account of losses to reserves. The debt component of the company majorly comprises of cash credit, followed by term loan, which the company had availed during FY21. The interest coverage ratio also improved to 1.54 times in FY22 (Prov.) over 0.63 times in FY21, led by increased operating profit. The other debt coverage ratio such as Net cash accruals to total debt remained at lower level at 0.03 times in FY22 (Prov.). The total outstanding liability to tangible net worth continues to remain at higher level 41.12 times in FY22 (Prov.) (957.52 times in FY21). The debt by EBITDA albeit removed continues to remain at higher level at 9.21 times as on March 31, 2022 (Prov.).

The company is not planning to avail additional debt in medium and hence, financial risk profile of the company is expected to improve led by improvement in financial performance of the company.

### **Elongated working capital cycle**

The company operates in intensive working capital operation, wherein the Gross Current Asset days remained at 469 days in FY22 (Prov.) as against 584 days in FY21. The same is due to higher outstanding balance in the form of debtors and inventory. Further, the debtors days also remained at higher level at 200-340 days in FY21-22 (Prov.). As per the management, the company realizes bills within 45-60 days of raising it. The company also extends credit period of 30-45 days in FY21-22 (Prov.).

The company purchases items such as computers, laptops, sensor doors etc as in when required for order execution. The average fund based utilization for the past 12 months ending March 2022 remained at 78%.

## **ESG Factors Relevant for Rating**

Not Applicable

### **Rating Sensitivities**

>Significant improvement in its working capital management with GCA days of less than 200 days

>Improvement in scale of operations

### **Material covenants**

None

**Assessment of Adequacy of Credit Enhancement:** None

### **Liquidity: Adequate**

#### **Adequate**

The liquidity profile of the company continues to remain at adequate level with net cash accruals of Rs.0.98 crore as against debt repayment obligation of Rs.0.33 crore. The current ratio continues to remain above unity at 1.11 times in FY22 (Prov.) as against 1.09 times in FY21. The cash and bank balance of the company remained at Rs.0.58 crore as on March 31, 2022 (Prov.). The cash credit utilisation remained at moderate level at 78% for past 12 months ending March 2022.

The company is not planning to raise any additional debt in medium term and hence, with expected improvement in financial performance of the company, the liquidity profile is expected to remain at adequate level.

## **Outlook: Stable**

Acuité 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.

### Other Factors affecting Rating

Not Applicable

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	31.23	18.57
PAT	Rs. Cr.	0.90	(0.71)
PAT Margin	(%)	2.88	(3.81)
Total Debt/Tangible Net Worth	Times	34.63	765.40
PBDIT/Interest	Times	1.54	0.63

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

Not Applicable

### Any other information

Not Applicable

### 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

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

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 May 2021	Proposed Bank Facility	Long Term	0.50	ACUITE AA (CE)   Stable (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A1+(CE) (Withdrawn)
	Secured Overdraft	Long Term	29.50	ACUITE AA (CE)   Stable (Reaffirmed)
06 Feb 2020	Bank Guarantee	Short Term	10.00	ACUITE A1+ (CE) (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE AA (CE)   Stable (Reaffirmed)
06 Mar 2019	Bank Guarantee	Short Term	10.00	ACUITE A1+(CE) (Assigned)
	Proposed Secured Overdraft	Long Term	0.50	ACUITE AA (CE)   Stable (Reaffirmed)
	Secured Overdraft	Long Term	19.50	ACUITE AA (CE)   Stable (Reaffirmed)
27 Jan 2018	Secured Overdraft	Long Term	10.00	ACUITE AA (CE)   Stable (Assigned)
	Secured Overdraft	Long Term	12.00	ACUITE AA (CE)   Stable (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Doha Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	29.50	ACUITE AA   CE   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE AA   CE   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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