



Press Release
Zerone Technologies Private Limited
October 27, 2023
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	-	-

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, 2024. The rating further factors in established track record of parent entity; Zerone Technology Security Service WLL with ultimate holding company, Al Sulaiman Holdings. The rating is, however constrained by moderate financial risk profile led by small scale of operations and elongated working capital cycle and fluctuating margin.

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. Jaspal Singh Sehdev, Mr. Rahul Mathur.

About the 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

Unsupported Rating

ACUITE B+/Stable

Analytical Approach

Acuite has considered the standalone view of business and financial risk profiles of Zerone Technologies Private Limited. Further 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, 2024.

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, 2024. 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 NHA, 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

Business risk profile

ZTPL's operating income improved which is apparent from growth in revenue from operations by ~6.81% in FY2023 (Prov.) to 33.04 crore as against Rs. 30.93 crore for FY2022. The operating profit margin of the company are fluctuating. This is due to each and every order is executed by the company is different in nature and size and highly skilled manpower is required for these specialized service. Operating Profit Margin of company stood at 8.88% in FY2023(Prov.) as against 10.14% in FY2022 likewise the net profit margin of the company stood at 0.68 percent in FY2023(Prov.) as against 2.52 percent in FY 22. ROCE of the company stood at 9.74 percent in FY2023 (Prov.).

Financial Risk Profile- Below Average

Company has below average financial risk profile marked by low net worth, high gearing and low coverage indicators. The Total Tangible net worth stood at Rs. 4.42 Cr as on 31st March 2023(Prov.) as against Rs. 0.92 Cr a year earlier. Increase in net worth is on account of capital infusion.

Company follows aggressive leverage policy marked by high gearing. Debt to Equity ratio improved and yet stood high at 6.51 times in FY 2023(Prov.) as against 35.71 times in FY 22. Improvement in gearing is on account of increase in Net Worth and fall in total debt. Interest coverage ratio stood low at 1.13 times for FY2023 (Prov.) as against 1.52 times in FY2022. Likewise, Debt Service coverage ratio stood low at 0.76 times for FY2023 (Prov.) as against 1.41 times in FY2022. Total outside liabilities to total net worth (TOL/TNW) stood at 8.99 times as on FY2023 (Prov.) vis-à-vis 42.80 times as on FY2022. Debt-EBITA stood at 8.45 times as on 31st March 2023(Prov.) as against 8.85 times as on 31st March 2022. The Net Cash Accruals to Total debt stood at 0.01 times as on FY2023 (Prov.) and 0.03 times for FY2022.

Working capital operations-Intensive

Company has intensive working capital requirements as evident from gross current assets (GCA) of 459 days in FY2023 (Prov.) as compared to 400 days in FY2022. Intensiveness of Working capital is on account of High inventory and Receivable Days. Debtor days stood at 166 days in FY2023 (Prov.) as against 168 days in FY 22. Inventory days stood at 180 days in FY 23 (Prov.)(147 days in FY22). Company has to maintain the customized inventory as per the orders in hand and receivables takes time to realize as per completion.

Assessment of Adequacy of CE Structure

None

Rating Sensitivities

Improvement in Operating Income and Profitability

Significant improvement in its working capital management

All Covenants

None

Liquidity Position

Poor

Company has Poor liquidity marked by its insufficient cash accruals to its debt obligation, low current ratio and high bank limit utilization. Company generated cash accruals of Rs. 0.28 crore for FY2023 (Prov.) as against obligations of Rs. 1.34 crores for the same period. Current Ratio stood at 0.91 times as on 31 March 2023(Prov.) as against 0.95 times in the previous year. Fund based working capital limits are utilized at ~89 per cent during the last twelve months ended August 23. Cash and Bank Balance of the company is nil as on March 31, 2023(Prov.). Further company has fixed deposits of Rs 1.12 crore (unencumbered fixed deposits of Rs ~0.70 crore).

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

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	33.04	30.93
PAT	Rs. Cr.	0.18	0.78
PAT Margin	(%)	0.54	2.53
Total Debt/Tangible Net Worth	Times	6.51	35.71
PBDIT/Interest	Times	1.13	1.52

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>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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
04 Aug 2022	Proposed Bank Facility	Long Term	0.50	ACUITE AA (CE) Stable (Reaffirmed)
	Secured Overdraft	Long Term	29.50	ACUITE AA (CE) Stable (Reaffirmed)
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)

Annexure - Details of instruments rated

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