



Press Release
Zerone Technologies Private Limited
January 07, 2025
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Total Withdrawn Quantum (Rs.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.30.00 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 the facilities availed by ZTPL. Current SBLC is valid till 28th February, 2025. The rating also factors in established track record of parent entity: Zerone Technology Security Service WLL with ultimate holding company, Al Sulaiman Holdings and increase in scale of operations of ZTPL along with improved profitability margin. However, the rating is constrained by below average financial risk profile, elongated working capital cycle and fluctuating operating margin of the company.

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 28th February, 2025.

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 February 28, 2025. 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 Panchshil Corporate Park Private Limited, JW Marriott, Double Tree by Hilton and Bamboo Hotel & Global Centre to name a few. The day-to-day operations are led by Directors, Mr. Vasudevan Krishnamoorthy, Mr. Jaspal Singh Sehdeva, Mr. Rahul Mathur who possess extensive experience in the IT infrastructure industry. 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 scale of operations

ZTPL's operating income improved as reflected by growth of revenue from operations in FY2024 to Rs.42.80 crore as against Rs.33.04 crore for FY2023. The operating margin of company stood at 7.19% in FY2024 as against 8.88% in FY2023. The operating profit margin of the company is fluctuating as each order executed by the company is different in nature as well as size and highly skilled manpower is required for these specialized service. However, the profit margin of the company improved and stood at 1.16 percent in FY2024 as against 0.54 percent in FY2023. ROCE of the company improved and stood at 11.18% in FY2024 as against 10.08% in FY2023. Further, company has current orders in hand of Rs.47.93 Cr. as on 26th December, 2024. The company has achieved operating income of Rs.19.08 crore as on 31st October, 2024 and is expecting to clock an operating income of around Rs.50 crore in FY2025 on an account of execution of the order book.

Weaknesses

Below Average Financial Risk Profile

The financial risk profile of the company is below average marked by low net worth, high gearing and low coverage indicators. The tangible net-worth stood at Rs.7.96 Crore as on 31st March 2024 as against Rs.4.42 Crore as on 31st March 2023. The increase in the net-worth is on an account of capital infusion. Further, the total debt of the company stood at Rs.29.11 Crore as on 31st March 2024 as against Rs.28.79 Crore as on 31st March 2023. The capital structure of the company is marked by gearing ratio which improved yet stood high at 3.66 times as on 31st March 2024 as against 6.51 times as on 31st March 2023. Further, the coverage indicators of the company improved reflected by interest coverage ratio and debt service coverage ratio of the company which stood at 1.28 times and 0.83 times respectively as on 31st March 2024 against 1.13 times and 0.76 times respectively as on 31st March 2023. The TOL/TNW ratio of the company stood at 5.33 times as on 31st March 2024 against 8.99 times as on 31st March 2023 and DEBT-EBITDA of the company stood at 7.32 times as on 31st March 2024 against 8.45 times as on 31st March 2023. Acuité believes that going forward the financial risk profile of the company is expected to improve with no major debt funded capex plans.

Intensive Working Capital operations

The working capital operations of the company improved yet are intensive marked by GCA days which stood at 397 days as on 31st March 2024 against 454 days as on 31st March 2023. The same is due to higher outstanding balance in the form of debtors and inventory as reflected by the debtor days which stood at 161 days as on 31st March 2024 against 166 days as on 31st March 2023 and the inventory holding stood at 156 days as on 31st March 2024 against 180 days as on 31st March 2023. The company has to maintain inventory such as computers, laptops, sensor doors etc. as in when required for order execution and receivables takes time to realize as per order completion. Further, the creditor days of the company stood at 162 days as on 31st March 2024 against 175 days as on 31st March 2023. In addition, the average fund based bank limit utilization of the company stood at 91.63% approximately in last twelve months ended October 2024. Acuité believes that the working capital operations of the company is expected to remain at similar levels over the medium term.

Assessment of Adequacy of Credit Enhancement (Applicable only for CE Ratings)

The rating is based on the credit enhancement approach, whereby the rating of the issuer of the SBLC has been translated to the rating of the instrument rated. The SBLC is a legally enforceable, irrevocable, unconditional and covers the entire amount.

Rating Sensitivities

- Working capital management
- Movement in financial risk profile

All Covenants

- SBLC from Doha Bank , Qatar for INR 327.25 million (including Margin of 10% towards Forex fluctuation). Limits availed at any point of time shall have 110% security cover.
- SBLC to be renewed at least 45 days before maturity/expiry date

Liquidity Position

Stretched

The liquidity profile of the company is stretched on an account of low net cash accrual, high utilised bank lines, and low current ratio. The company has generated net cash accruals of Rs.0.61 Crore as on 31st March 2024 against the debt repayment obligation of Rs.1.35 Crore over the same period. Despite same, the company is able to pay-off its debt obligations. Going forward, the company is expected to generate sufficient net cash accruals under the range of Rs.1.20 Crore to Rs.1.80 Crore against debt repayment obligations of upto Rs.0.99 Cr. over the same period. The current ratio of the company stood at 0.96 times as on 31st March 2024 against 0.92 times as on 31st March 2023. The cash and bank balance available with the company stood at Rs.0.12 Crore as on 31st March 2024. Further, there is a high dependence on the external borrowings wherein the average fund based bank limit utilization of the company stood at 91.63% approximately in last twelve months ended October 2024.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	42.80	33.04
PAT	Rs. Cr.	0.50	0.18
PAT Margin	(%)	1.16	0.54
Total Debt/Tangible Net Worth	Times	3.66	6.51
PBDIT/Interest	Times	1.28	1.13

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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
27 Oct 2023	Secured Overdraft	Long Term	29.50	ACUITE AA (CE) Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.50	ACUITE AA (CE) Stable (Reaffirmed)
04 Aug 2022	Secured Overdraft	Long Term	29.50	ACUITE AA (CE) Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.50	ACUITE AA (CE) Stable (Reaffirmed)

Annexure - Details of instruments rated

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

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No.	Company name
1	Doha Bank
2	Zerone Technologies Private Limited

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Archita Sharma Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.