

## Press Release

Techno Global Services Private Limited

June 05, 2019



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 11.50 Cr. (Enhanced from Rs.9.00 Cr.)
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A4+ (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

ACUITE has reaffirmed long term rating of '**ACUITE BB-**' (**read as ACUITE Double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 11.50 crore bank facilities of 'Techno Global Service Private Limited' (TGSPL). The outlook is '**Stable**'.

Established in 2008 as a partnership firm Techno Services which was later converted in 2012 as a private limited company with the name Techno Global Services Private Limited. The company is engaged in laying of gas pipeline (Piped natural gas and compressed Natural gas to retail customers, including domestic, commercial, industrial and automobile sectors) for GAIL, Haridwar Natural Gas Private Limited, Green Gas Limited (ACUITE rated A+/Stable/ A1+) and Bhagyanagar Gas Limited. The company undertakes tender based contract to execute the projects. The company is promoted by Mr. Apurba Swain and Mrs. Somdutta Swain.

### Analytical Approach

ACUITE has considered the standalone business and financial risk profile of TGSPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced management:**

Techno Global Service Private Limited was established as a partnership firm with the name Techno Service Swain which was later converted into a private limited company in 2012. The promoters, Mr. Apurba Swain and his wife Mrs. Somdutta Swain have a decade of experience in the laying of oil and gas pipeline.

- **Reputed Clientele:**

TGSPL has a reputed customer base, namely- Gas Authority of India (GAIL), Bharat Petroleum Corporation Limited (BPCL), and Indian Oil Corporation Limited (IOCL). Further GAIL contributes around 80 percent of the business to the company.

- **Improving profitability:**

Being in the business from 2008 has helped the TGSPL to improve the efficiency in the projects and due to this improved efficiency the EBITDA margins have improved from 8.59 percent in FY2018 to 12.57 percent in 11MFY2019 (April 2018 to Feb 2019), even the PAT margins have improved from 5.05 percent in FY2018 to 7.63 percent in 11MFY2019 (April 2018 to Feb 2019).

#### Weaknesses

- **Stretched Receivables position:**

The receivables are stretched as reflected from the debtor days of 113 as on 31st March'18 as compare to 126 days as on 31st March'16. The stretched position is on account of executing 100 percent of its projects for government companies where payment realizations are delayed due to procedural hazards.

• **Average financial risk profile:**

The financial risk profile of TGSPL stood average with low net worth, comfortable gearing level and improving interest coverage. Net worth stood at 3.63 crore as on 31<sup>st</sup> March 2018 as compared to 2.11 crore as on 31<sup>st</sup> March 2017. Gearing (debt/equity) improved and stands moderate at 0.78 times as on 31<sup>st</sup> March 2018 as compared to 1.66 times as on 31<sup>st</sup> March 2017. In FY2018 total debt stood at Rs.2.83 crore consisting of working capital facilities of Rs.2.76 crore and Rs.0.070 crore of term loans. The interest coverage ratio and DSCR stood comfortable at 3.00 times and 2.53 times, respectively as on 31<sup>st</sup> March, 2018 as against 2.49 times and 2.08 times, respectively as on 31<sup>st</sup>.

**Liquidity position**

The company has stressed liquidity position marked by low net cash accruals and overutilization of the cash credit facility. Net cash accrual stood at Rs.0.96 Cr for 2017-18, while cash and cash equivalents stood Rs.0.05 Cr as on March 31, 2018. The current ratio of TGSPL stand at 1.30 times as on 31<sup>st</sup> March 2018. Acuite believes that the liquidity of the company is likely to remain stressed over the medium term on account of weak cash accrual and stretched working capital cycle.

**Outlook: Stable**

Acuite believes that TGSPL will continue to benefit over the medium term from the promoters experience. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and profitability and the financial risk profile further deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

**About the Rated Entity - Key Financials**

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	17.05	15.15	10.73
EBITDA	Rs. Cr.	1.46	1.29	0.88
PAT	Rs. Cr.	0.86	0.52	0.31
EBITDA Margin	(%)	8.59	8.50	8.18
PAT Margin	(%)	5.05	3.42	2.92
ROCE	(%)	29.58	23.48	31.59
Total Debt/Tangible Net Worth	Times	0.78	1.66	2.47
PBDIT/Interest	Times	3.00	2.49	2.22
Total Debt/PBDIT	Times	1.94	2.72	1.81
Gross Current Assets (Days)	Days	200	195	247

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

Not Applicable

**Any other information**

Not available

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities in Service Sector- <https://www.acuite.in/view-rating-criteria-8.htm>
- Application of financial ratio and adjustments - <https://www.acuite.in/view-rating-criteria-40.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
22-April-2019	Cash Credit	Long Term	1.50	ACUITE BB- /Stable (Reaffirmed)
	Bank Guarantee	Short Term	7.50	ACUITE A4+ (Reaffirmed)
18-May-2018	Cash Credit	Long Term	1.50	ACUITE BB- /Stable (Assigned)
	Bank Guarantee	Short Term	7.50	ACUITE A4+ (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB- /Stable (Reaffirmed))
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A4+ (Reaffirmed)

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### About Acuité Ratings & Research:

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