

Press Release

Techno Global Services Private Limited

August 26, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.11.50 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable (Reaffirmed)
Short Term rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

About the Company

Kolkata-based, Techno Global Services Private Limited (TGSPL), was established in 2008 as a partnership concern and later in 2012 it was converted into a private limited company. The company undertakes a project for laying of the gas pipeline (Piped natural gas and compressed Natural gas to retail customers, including domestic, commercial, industrial and automobile sectors). The company is promoted by Mr. Apurba Swain.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of Techno Global Services Private Limited (TGSPL) to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced Management

The company is engaged in undertaking infrastructure projects for laying of gas pipelines and is managed by Mr. Apurba Swain who more than a decade of experience in the aforementioned industry which has helped the company to establish strong market position. Company has strong clientele- Green Gas Limited, Gail India Limited, Gail Gas Limited, Hindustan Petroleum Corporation Limited (HPCL) and Bharat Petroleum Corporation Limited (BPCL) among others.

Acuite believes that the company will continue to benefit over medium to long term owing to its experience management.

• Uptrend in operating income

The healthy order book position of the company has led to healthy growth in operating income. Operating income improved to Rs.73.01 crore in FY2020 (Provisional) from Rs.17.89 crore in FY2019 and Rs.17.05 crore in FY2018. However, the profitability of the company has reduced significantly marked by operating margins of 2.08 percent in FY2020 (Provisional) as against 6.37 percent in FY2019 and 8.59 percent in FY2018. The major portion of the project is being outsourced, which has led to a reduction in the profitability.

Weaknesses

• Working capital intensive nature of operations

The operations of the company are working capital intensive marked by Gross Current Assets (GCA) of 197 days in FY2020 (Provisional) as against 309 days in FY2019. This is majorly on the account high debtor's collection period of 145 days in FY2020 (Provisional) as against 167 days in FY2019 and inventory holding period of 24 days in FY2020 (provisional) as against 101 days in FY2019. The current ratio stood low at 1.15 times as on 31 March 2020 (Provisional) as against 1.43 times as on 31 March

2019.

• Average financial risk profile

The financial risk profile of the company is average marked by low net worth, high gearing levels and average debt protection metrics. The net worth of the company stood at Rs.3.92 crore as on 31 March 2020 (Provisional) as against Rs.3.27 crore as on 31 March 2019, the improvement is on account of accretion of reserves. The Gearing (debt-equity) levels of the company stood at 1.19 times as on 31 March 2020 (Provisional) as against 2.01 times as on 31 March 2019. TOL/TNW (Total outside liabilities- Total net worth) stood high at 10.14 times as on 31 March 2020 (Provisional) as against 4.80 times as on 31 March 2019. Total debt of Rs.4.68 crore as on 31 March 2020 (Provisional) consist of long term debt of Rs.0.05 crore, unsecured loans of Rs.2.23 and working capital borrowings of Rs.2.40. Interest coverage ratio (ICR) of the company stood at 1.63 times in FY2020 (Provisional) as against 1.62 times in FY2019.

Rating Sensitivities

- Improvement in profitability
- Significant reduction in TOL/TNW

Material Covenants

None

Liquidity Position: Adequate

The company has adequate liquidity position marked by its net cash accrual of Rs.0.65 crore in FY2020 (Provisional) vis-à-vis its repayment obligation of 0.01 crore for the same period. It is expected that the net cash accruals will remain in the range of Rs.0.57 crore to Rs.0.72 crore as against repayment obligations of Rs.0.02 crore for the same period. The average utilization of working capital limits stood at ~85 percent in the last six months ended June-2020. Operations of the company are working capital intensive marked by GCA of 197 days in FY2020 (Provisional). The current ratio stood average at 1.15 times as on 31 March 2020 (Provisional).

Outlook: Stable

Acuite believes that TGSPL will continue to benefit over the medium term from the promoter's 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	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	73.01	17.89
PAT	Rs. Cr.	0.65	0.30
PAT Margin	(%)	0.88	1.67
Total Debt/Tangible Net Worth	Times	1.19	2.01
PBDIT/Interest	Times	1.63	1.62

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- 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 (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
05-Jun-2019	Cash Credit	Long Term	2.50	ACUITE BB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	9.00	ACUITE A4+ (Reaffirmed)
22-Apr-2019	Cash Credit	Long term	1.50	ACUITE BB-/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	7.50	ACUITE A4+ (Reaffirmed)
18-May-2017	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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