

Trident Techlabs Limited

December 01, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	22.10	CARE BB+; Stable	Assigned
Long Term / Short Term Bank Facilities	6.00	CARE BB+; Stable / CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to Trident Techlabs Limited derives strength from the experienced promoters of the company, high profitability margins, diversified product profile with reputed clientele base and moderate order book position. However, the rating constraint on account of small scale of operations, client concentration and working capital intensive nature of operations with high trade receivables.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the scale of operations as marked by total operating income to around Rs. 100 crores on sustained basis with profitability margin as marked by 18% PBILDT margin and 9% PAT margin.
- Improvement in solvency position as reflected by total debt to net cash flow from operations remains below 2 times on sustained basis.

Negative factors

- Decline in scale of operations below Rs.65 crores on sustained basis.
- Any further increase in the receivable from current level or delay in the recovery of receivable from DESCO

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects the ability of the company to able to benefit from diversifies product profile with reputed clientele base, experienced promoters and long-established relationships with customers and suppliers.

Detailed description of the key rating drivers:

Key strengths

Experienced promoters

The company is currently being managed by directors Mr. Sukesh Chandra Nathani and Mr. Praveen Kapoor. They both have experience in the same industry for more than two decades. The long-standing presence in the industry has enabled the company to establish a healthy relationship with their customers.

High profitability margins

The company has high profitability margins as reflected by PBILDT and PAT margins of 15.69 % and 6.97 % respectively during FY23 as compared to 15.66 % and 2.10% during FY22. Further being in the service industry, the profitability margin has remained stable over period of time. Also considering that the company has minimal working capital requirement, therefore the operating cash flow remained strong at Rs. 10.21 cr during FY23 as compared to Rs. 0.79 cr during FY22.

Diversified product profile with reputed clientele base

Over the years Trident Techlabs Limited has maintained strong and positive relationships with its clientele, resulting in the repetition of orders from these satisfied customers. Trident Techlabs Limited has the client base throughout India, including entities such as the Ministry of Defence, Infinite Computer Solutions (India) Limited, Central Development Advance Computing (CDAC)-Thiruvananthapuram, DIT & CS (DRDO), among others. Although the company business is tender driven but given the expertise and long experience in the power and engineering industry, help the company to secure repeat order from its customer.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Moderate Order Book Position

As on September 30, 2023, Trident Techlabs Limited has a moderate order book position of Rs.18.5 crore and the company has already achieved total operating income of Rs 21 cr till Oct'23. Apart from this the company has submitted bids of further order of Rs. 55.75 cr . Considering that the average duration of company project is 1 to 3 months, the expected receipt of additional order along with the existing order book, provide visibility over the revenue during FY23.

Key weaknesses

Small scale of operations

Despite of the increase in total operating income by 128% during FY23, the scale of operations remained small as reflected by total operating of Rs. 67.96 cr during FY23 and income of Rs.21cr till Oct'23. Also given that the company business is tender driven, it requires consistent order book to maintain the revenue.

Client Concentration

Over the years, Trident Techlabs Limited has offered high quality services which has led to repeat business from key customers. The highest contribution in PSG segment is contributed solely by DIT & CS (DRDO), Dehradun of 79% in ESG segment and 2.7% is from Infinite Computer Solutions (India) Limited in FY23 . However, client concentration keeps on changing based on order received by the company. Moreover, comfort can be derived as there is lower counter party risk since majority of its customers are large institutions and government organizations and have good credit profile.

Working capital intensive nature of operations with high trade receivables

The operations of the company are working capital intensive in nature as reflected by operating cycle of 189 days as on March 31, 2023. Although the cycle has improved as compared to FY22, however it continues to remain high. Also, the higher working capital cycle is due to receivable of Rs.33cr due for period of more than 3 years from Dhaka Electric Supply Company. The company has executed large project in Dhaka for which the receivables are pending since last three year, leading to increase in receivable period to 208 days as on March 31, 2023.

Although there has been some recovery in the receivable during the current year with outstanding receivable of Rs. 30 cr as on Nov 22, 2023, including receivable of Rs 7 cr from Dhaka Electric. The liquidity generated from recovery in the receivable is being used to reduce the working capital utilization and as on Nov 1, 2023, the utilization remains nil. Going forward the ability of the company to manage its receivable cycle efficiently would be key rating sensitivity.

Liquidity: Adequate

The liquidity indicators stood adequate marked by current ratio of 3.25x and quick ratio of 3.14 x as on March 31, 2023, as against current ratio of 2.29x and quick ratio of 2.22x as on March 31, 2022. The average utilization of working capital limits remained at 68% for the period of 12 months period ended August 2023. Further, the cash and cash equivalents for the company has remained at Rs. 1.87 crores as on 31 March 2023.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Information Technology	Information Technology	IT - Services	IT Enabled Services

Trident Techlabs Private Limited, also known as Techlabs, is an Indian technology company established in 2000. It started from being a supplier of pre-packaged computer software and now providing technology solutions. Techlabs specializes in various

areas like technical education, custom electronics, and power engineering. In recent years, the company's business activities have expanded significantly in electronic design automation (EDA), and engineering consultancy.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	7M FY24 (UA)
Total operating income	29.74	67.96	21
PBILDT	4.66	10.66	NA
PAT	0.62	4.67	NA
Overall gearing (times)	2.14	1.17	NA
Interest coverage (times)	1.53	3.79	NA

A: Audited UA: Unaudited NA : Not Available ; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA:

Brickworks has conducted the review on the basis of best available information and has classified Trident Techlabs Limited "Not cooperative" vide its press release date June 23, 2023.

Acuite (SMERA) has conducted the review on the basis of best available information and has classified Trident Techlabs Limited "Not cooperative" vide its press release date Oct 29, 2023.

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	8.50	CARE BB+; Stable
Fund-based - LT-Term Loan	-	-	-	23-09-2028	13.60	CARE BB+; Stable
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	6.00	CARE BB+; Stable / CARE A4+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	13.60	CARE BB+; Stable				
2	Fund-based - LT-Cash Credit	LT	8.50	CARE BB+; Stable				
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	6.00	CARE BB+; Stable / CARE A4+				

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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