

Trident Techlabs Limited

October 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	19.18 (Reduced from 22.10)	CARE BB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	8.92 (Enhanced from 6.00)	CARE BB+; Stable / CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Trident Techlabs Limited (TTL) factors in small scale of operations, business risk associated with tender – based orders, client concentration, working capital intensive nature of operations with high trade receivables and intense competition in the IT industry along with its susceptibility to risks associated with exposure to government projects. However, these rating weaknesses are partially offset by experienced promoters of the company, high profitability margins, diversified product profile with reputed clientele base, moderate order book position, and comfortable financial risk profile marked by low overall gearing.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the scale of operations as marked by total operating income above Rs. 100 crores on a sustained basis.
- Major recovery in the trade receivable, thereby improving the liquidity position.

Negative factors

- Increase in overall gearing above 2.50 times on a sustained basis.
- Delay in the recovery of receivable from projects located in Dhaka.

Analytical approach: Standalone

Outlook: Stable

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

Detailed description of key rating drivers:

Key weaknesses

Small scale of operations:

The scale of the company remains modest as marked by total operating income of Rs 72.71 crores during FY24 (refers to the period from April 01, 2023 to March 31, 2024) (PY: Rs 67.96 crores). The same has however registered a y-o-y growth of 6% owing to increased turnover from sale of hardware items and additional revenue earned from services such as consultancy and training.

Business risk associated with tender -based-orders:

The company is exposed to the risk associated with the tender based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder. Furthermore, inability to collect previous pending trade receivables are likely to affect the liquidity and capital structure of the company.

Client concentration:

Over the years, Trident Techlabs Limited has offered high quality services which has led to repeat business from key customers. The company caters two segments, namely Engineering Solutions Group (ESG) and Power Supply Group (PSG). The highest contribution in PSG segment is contributed solely by South Bihar Power Distribution Company Ltd (Patna) in FY24. The client base, however, remains concentrated with top 5 customers accounting for ~80% of total operating income of FY24. The risk is

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

partially offset by long term association with customers and lower counter party risk since majority of its customers are large institutions and government organizations and have good credit profile. Also, 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 working capital cycle remained elongated at 172 days (PY: 189 days) in FY24 particularly on account of elongated collection period which stretched from 208 days in FY23 to 241 days in FY24. Payment of Rs 24.76 crore is mainly pending from orders executed for Dhaka Electric Supply Company Limited (DESCO) and Dhaka Power Distribution Company Ltd. The projects commenced in 2019 however are running delayed due to Covid along with current political unrest in Bangladesh. Out of the part project completed, Rs 26.63 crore was recoverable as on March 31, 2024 and out of which Rs 1.87 crores was recovered during current year till date August 31, 2024. The stretch in collection period significantly impacts the liquidity.

Intense competition in the IT industry along with its susceptibility to risks associated with exposure to Government projects:

The presence of large industry players and increasing number of smaller firms has resulted in increased competition within the IT services and solutions industry wherein margins could come under pressure as a result of high competition. Furthermore, government projects are largely awarded through competitive bidding and tendering process and these projects run the risk of changes in political and economic landscape in the country and changes in the regulatory frameworks as well. Hence, its business operations are exposed to the said risk.

Key strengths

Experienced management:

The company is collectively managed by Mr. Praveen Kumar (MD), who has more than 32 years of experience in electronics and electrical engineering, Mr. Sharad Naithani (Chairman) has more than 36 Years of experience in marketing and business development in the banking and technical education sector and Mr. Sukesh Chandra Naithani, (CEO and CFO) has more than 34 years of experience in Information Technology and electronics. They are further supported by the team of independent directors and other technical experts bringing in their expertise and diversified experience.

High Profitability margins:

The PBILDT margins of the company have improved significantly from 15.59% in FY23 to 22.88% in FY24 particularly on account of increase in revenue from consultancy segment where the margins are higher, decrease in expenses related to E- software services, along with reduced maintenance and upgradation charges. The PAT margins moved in tandem and improved from 6.87% in FY23 to 12.88% in FY24.

Diversified product profile with reputed clientele base:

The company has diversified product profile which finds application in various sectors including electric power utilities, large facilities, engineering consultancy firms, the electronics industry, research institutions, defence establishments, and engineering colleges. The product profile is distributed in two segments, namely, Engineering Solution Group and Power Solution Group. The company deals with reputed clients PAN India such as Government of India (DRDO), Infinite Computer Solutions (India) Limited, Larsen & Turbo. The company serves customers across Southeast Asia, the Middle East, China, Bangladesh, and Sri Lanka. It intends to deepen its presence in the Middle East and other developing economies in the upcoming years.

Moderate order book position albeit concentrated:

As on August 31, 2024, Trident Techlabs Limited has a moderate order book position of Rs.26.44 crores. The company's inability to collect pending trade receivables will be a challenge to fund the upcoming projects. The company's order book to sales ratio stood at 0.36x based on FY24 revenue. The company expects to receive orders that are four to five times greater than its existing order book value for the upcoming months. The order from Defence Research and Development Organisation contributed 91% of the total order book.

Comfortable financial risk profile

The company's financial risk profile remains comfortable as reflected by gearing of 0.41x as on March 31, 2024, (PY: 1.71 times). The improvement is on account of decline in debt level in FY24 due to scheduled repayment of term debt and equity infusion due to listing of company on stock exchange. Moreover, the debt coverage indicators improved as marked by total debt/GCA which

stood at 1.99x in FY24 vis-à-vis 4.24x in FY23. Further, on account of improved operating profit, interest coverage improved from 3.79x in FY23 to 5.04x in FY24.

Liquidity: Adequate

The liquidity profile of the company is adequate on account of comfortable repayment obligation against envisaged gross cash accruals (GCA). The company generated GCA of Rs 9.68 crores in FY24 and is expected to generate of GCA of Rs 10.65 crores in FY25 against which repayment obligation stands at Rs 2.95 crores during same year. Further, the company had unencumbered cash and bank balance of Rs 23.18 crores as on March 31, 2024. The average utilization of working capital limits remained moderate at 63% for the trailing period of 12 months ended August 31, 2024.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic 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. The company serves a growing customer base across India, with branch offices in Bengaluru, Dehradun, Delhi, Hyderabad, Kolkata, and Pune. These solutions are applied in various sectors, including electric power utilities, large facilities, engineering consultancy firms, the electronics industry, research institutions, defence establishments, and engineering colleges. They have reputed clients like Government of India (DRDO), Infinite Computer Solutions (India) Limited, Larsen & Turbo, etc.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	67.96	72.71
PBILDT	10.66	16.63
PAT	4.67	9.37
Overall gearing (times)	1.17	0.41
Interest coverage (times)	3.79	5.04

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Acuite has retained the bank facilities of Trident Techlabs Limited under Issuer not cooperating (INC) category vide its press release dated April 18, 2024, on account of its inability to carry out review in the absence of requisite information from the company. Further, Brickworks has downgraded the ratings assigned to the bank facilities of Trident Techlabs Limited under Issuer not cooperating (INC) category vide its press release dated June 14, 2024, on account of its inability ratings to carry out review in the absence of requisite information from the company and non-submission of No Default Statement (NDS).

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	8.50	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	23-09-2028	10.68	CARE BB+; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	8.92	CARE BB+; Stable / CARE A4+

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	10.68	CARE BB+; Stable	-	1)CARE BB+; Stable (01-Dec-23)	-	-
2	Fund-based - LT-Cash Credit	LT	8.50	CARE BB+; Stable	-	1)CARE BB+; Stable (01-Dec-23)	-	-
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	8.92	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Stable / CARE A4+ (01-Dec-23)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of 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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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