

Techno Global Services Private Limited

October 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	30.50	CARE BB; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category.
Long Term / Short Term Bank Facilities	19.50	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	Downgraded from CARE BB+; Stable / CARE A4+ and moved to ISSUER NOT COOPERATING category.

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has been seeking information from Techno Global Services Private Limited (TGSPL) to monitor the rating(s) vide e-mail communications dated September 26, 2024, September 24, 2024, September 23, 2024, September 19, 2024, August 05, 2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings has reviewed the ratings on the basis of best available information which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. The rating on bank facilities of TGSPL will now be denoted as '**CARE BB; Stable/ CARE A4; ISSUER NOT COOPERATING**'.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The revision in ratings assigned is on account of non-availability of requisite information due to non-cooperation by TGSPL with CARE Ratings' efforts to undertake a review of the ratings outstanding. CARE Ratings views information availability risk as a key factor in its assessment of credit risk. The revision in ratings also take cognizance of substantial decline in the company's scale of operations leading to a steep decline in gross cash accruals (GCA) in FY24 (refers to the period from April 01, 2023 to March 31, 2024). The ratings further continue to remain constrained by elongated collection period, moderate capital structure and weak debt coverage indicators. The ratings also continue to remain constrained on account of company's presence in a highly competitive nature of industry with business risk associated with tender-based orders, project execution risk inherent in various infrastructure projects and absence of price escalation clause in the tenders. However, ratings continue to draw comfort from experienced promoters with long track record of operations.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings' opinion that TGSPL shall continue to benefit from its experienced promoters.

Detailed description of the key rating drivers

At the time of last rating on October 05, 2023, following were the rating strengths and weaknesses (updated based on limited information available from the company).

Key Rating Weaknesses

Modest scale of operations

TGSPL's scale of operations declined significantly, marked by total operating income (TOI) of Rs.60.72 crore in FY24 (Rs.161.47 crore). Nevertheless, the scale remains modest, and it limits the company's financial flexibility in times of stress and deprives it of scale benefits. However, the company's profitability margins stood moderate as marked by profit before interest, lease rental, depreciation, and taxation (PBILDT) and profit after tax (PAT) margins of 9.39% (PY: 6.38%) and 3.44% (PY: 3.95%) in FY24 respectively.

Moderate financial risk profile

TGSPL's capital structure stood moderate as reflected by overall gearing of 1.44x as on March 31, 2024 (PY: 1.18x). Further, debt coverage indicators stood weak as on March 31, 2024 as marked by interest coverage and total debt to GCA of 1.74x (PY: 5.91x) and 12.44x (PY: 3.77x) respectively.

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

Elongated collection period

TGSPL raises invoice based on completion of certain percentage of work and thereon which gets acknowledged by the customer after necessary inspection of work done. Post inspection, the department generally clears the payment within a period of four months by deducting a certain percentage of invoice raised in the form of retention money. The retention money is refunded by the department after completion of order/ contract or on submission of bank guarantee. Further, there is normally a procedural delay in relation being customers are mainly government departments/ public sector undertakings. Thus, the average collection period of the company continues to remain elongated at 200 days in FY24 (PY: 88 days). Furthermore, the company is in sub-contracting business and the main contractors are dealing with different government departments wherein there is normally a procedural delay in realization of bills. The inventory is in the form of raw materials and work in progress at different sites due to procedural delays involved in certifications/validation of invoices for the contracts executed resulting in an average inventory holding period of 112 days in FY24 (PY: 21 days).

Highly competitive nature of industry with business risk associated with tender-based order

TGSPL operates in highly competitive industry wherein it faces direct competition from various organized as well as unorganized players in the market given the low barriers to entry. There are number of small and regional players catering to same market which limits the bargaining power of the company and exerts pressure on margins. Also, the availability and retention of skilled manpower is also a major challenge for entities operating in the industry. Further, any change in government policy or spending on projects are likely to affect the revenues of the company since it receives majority of the work orders from the government departments/ public sector undertakings which are awarded through tender-based system. This further exposes TGSPL towards risk associated with the tender-based business, which is characterized by intense competition.

Project execution risk inherent in various infrastructure projects and absence of price escalation clause

Given the nature of projects awarded, TGSPL is exposed to inherent risk in terms of delays in certain projects undertaken by it due to delay in the approvals and sanctions from regulatory bodies such as for land acquisition, thus exposing TGSPL towards the risk of delay in projects resulting in a delay in realization. Further, TGSPL is susceptible to volatility in the input prices, which may have an adverse impact on the profitability of the company as most of the contracts does not have built-in price escalation clause for any change in raw material prices due to the short tenure of the project.

Key Rating Strengths

Experienced promoters with long track record of operations

TGSPL is managed by Mr. Apurba Swain, and Mr. Rakesh Kumar Singh. Mr. Apurba Swain is an engineer having experience of more than a decade in gas pipeline laying industry through his association with this company. Mr. Rakesh Kumar Singh is a MBA graduate having experience of around one and a half decade through his association with this company. They are involved in overall affairs of the company with special attention to procurement and bid of tenders. They in turn are ably supported by an experienced team of qualified engineers, supervisory staff, and technicians to work on various sites. Further, the company has a considerable track record in the business which has given them an understanding of the dynamics of the market and enabled them to establish long term relationships with customers and suppliers.

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

Based in Kolkata (West Bengal), TGSPL was established as a partnership concern in 2008. Later, it got converted into a private limited company in 2012. The company is engaged in business of laying Piped natural gas (PNG) and Compressed natural gas (CNG) pipelines for government and private players across India.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	161.47	60.72
PBILDT/	10.30	5.70
PAT	6.38	2.09
Overall gearing (times)	1.18	1.44
Interest coverage (times)	5.91	1.74

A: Audited; UA: Unaudited; Note: these are latest available financial results.

Status of non-cooperation with previous CRA: CRISIL Ratings Ltd. has retained the ratings assigned to the bank facilities of TGSPL under 'Issuer not cooperating' category vide press release dated April 08, 2024, on account of its inability to carry out the review in the absence of requisite information from the company.

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		-	-	-	4.50	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-LT/ST		-	-	-	19.50	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - LT-Bank Guarantee		-	-	-	26.00	CARE BB; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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	Non-fund-based - LT-Bank Guarantee	LT	26.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (05-Oct-23)	1)CARE BB+; Stable (26-Oct-22)	-
2	Fund-based - LT-Cash Credit	LT	4.50	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (05-Oct-23)	1)CARE BB+; Stable (26-Oct-22)	-
3	Fund-based/Non-fund-based-LT/ST	LT/ST	19.50	CARE BB; Stable / CARE A4; ISSUER	-	1)CARE BB+; Stable / CARE A4+	1)CARE BB+;	-

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
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				NOT COOPERATING*		(05-Oct-23)	Stable / CARE A4+ (26-Oct-22)	

*Issuer did not cooperate; based on best available information.

LT: Long 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/Non-fund-based-LT/ST	Simple
3	Non-fund-based - LT-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.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

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