



## Press Release

### Silver Touch Technologies Limited

September 14, 2022

#### Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long term Bank Facilities	10.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Revised from IVR BB+; ISSUER NOT COOPERATING	Simple
Long Term/ Short Term Bank Facilities	40.00	IVR BBB/Stable/ IVR A3+ (IVR Triple B with Stable Outlook / IVR A Three Plus)	Revised from IVR BB+/IVR A4+; ISSUER NOT COOPERATING	Simple
<b>Total</b>	<b>50.00 (INR Fifty Crore Only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

Infomerics has now removed the ratings assigned to the bank facilities of Silver Touch Technologies Ltd (STTL) from the issuer not cooperating category based on adequate information received from the client for review of its ratings. The revision in the ratings assigned to the bank facilities of STTL takes into account its satisfactory financial risk profile marked by comfortable capital structure and satisfactory debt coverage indicators. Further, the aforesaid ratings continue to drive comfort from its long and successful track record of operations under experienced and qualified promoters with strong management team, association with reputed clientele resulting in low counter party risk coupled with satisfactory order book position indicating near to medium term revenue visibility and locational advantage coupled with availability of skilled manpower. Further, these rating strengths continues to remain constrained by its modest scale of operations, presence in a highly competitive industry coupled with business risk associated with tender-based orders, working capital intensive nature of operations marked by high receivables and exposure to cyclicity in the IT industry.

Earlier the ratings were placed under credit watch with developing implications owing to uncertainty in the operating scenario amidst Covid-19 pandemic, now it is removed from credit watch with improvement in the business activities across the world.



## Press Release

### **Rating Sensitivities**

#### **Upward factors**

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals
- Sustenance of the capital structure with improvement in debt protection metrics

#### **Downward Factors**

- More than expected dip in operating income and/ or moderation in profitability impacting the debt coverage indicators
- Moderation in overall gearing to more than 1.5x and/or moderation in debt protection metrics
- Elongation in receivable period and/or increase in working capital intensity impacting the liquidity

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

- **Experienced and qualified promoters and management team**

The promoters have vast experience in information technology domain. Mr. Vipul H. Thakkar, is the founder director of the company and a technocrat, having experience over two decades in the IT industry. The other directors are also highly qualified and having vast experience in IT and business operation. This apart, there is a group of experienced and adequately qualified personnel in various position of the company.

- **Long and successful track record**

The company started its business operation from 1995 in Ahmedabad (Gujarat), thus, enjoying over two decades of successful operational track record. During this long tenure, the company gradually diversified its service portfolio in IT field and expanded to other states and countries for rendering IT service.

- **Reputed clientele resulting in low counter party risk coupled with satisfactory order book position indicating healthy revenue visibility**

Since inception, the company is engaged in providing Information Technology related services to various State Government, Central Government agencies and private organisations throughout the country. The company is an empanelled service provider of



## Press Release

National Information Centre, RITES, RAILTEL, STPI, BSNL, Industrial Extension Bureau, Gujarat Informatics Limited etc. This apart, the company also provides IT services to various big domestic private players engaged in banking, manufacturing and trading segments. The company maintains long term relationship with the clients and gets repeat orders regularly. At Present, the company has an order book amounting to Rs.277.56 Crore of which Rs.174.20 crore is expected to be realized in FY23 showing revenue visibility in the near term.

- **Locational advantage coupled with availability of skilled manpower**

The head office of the company is at Ahmedabad. This apart, the company has its branch and support offices in the cities like Delhi, Mumbai, Lucknow, Baroda, Surat, Kolkata and Bangalore. All the locations are major cities in India and have adequate education facilities for higher studies, which ensure regular supply of skilled manpower for IT industry. This apart, the locations are well connected by air and road and having other required facilities for IT industry.

- **Satisfactory financial risk profile marked by comfortable capital structure and satisfactory debt coverage indicators.**

Financial risk profile of the company continued to remain satisfactory marked by its comfortable capital structure as on the past three account closing dates, satisfactory debt coverage indicators and minimal near to medium term debt repayment obligations. With minimal long-term debt in the capital structure, the debt equity ratio remained nil as on March 31, 2022. Moreover, the overall gearing ratio and total indebtedness marked by TOL/TNW also remained comfortable at nil and 0.43x respectively as on March 31, 2022. The debt protection parameters of the company also remained comfortable marked by interest coverage ratio at 14.78x in FY22 and Total Debt/GCA at 0.02x as on March 31,2022.

### **Key Rating Weaknesses**

- **Modest scale of operation**

The size of a player's operation in the IT services industry directly impact economies of scale benefits and its ability to sustain headwinds in terms of pricing pressure, attrition and loss of key clients. STTL is relatively a moderate player in IT service business. Further, the total



## Press Release

operating income of the company has moderated by ~8% during FY22 due to higher focus on service sector (contracts for software development/AMC etc.) which is a high margin business as compared to sale of products (hardware/license/software's). The EBITDA margin of the company witnessed improvement from 2.90% in FY21(A) to 8.51% in FY22(A) mainly on the back of increase in revenue from sale of services coupled with operating cost optimization. Further, the PAT margin also improved from 0.66% in FY21(A) to 4.71% in FY22(A) on the back of rise in absolute EBITDA and lower finance cost in FY22. In Q1FY23, the company has achieved a PAT of Rs.1.09 crore on a total operating income of Rs.30.59 crore.

- **Highly competitive industry coupled with business risk associated with tender-based orders**

IT/ITES industry is very competitive and mostly organised in India. STTL faces direct competition from many organised and established players in the domestic market. There are various players catering to the same market which leads to limit the bargaining power of the company and consequent pressure on its margins. Though the company is empanelled for various Government agencies for IT needs, but the orders are majorly awarded through the tender-based system. The growth of the business depends on its ability to successfully bid for the tenders and appear as the lowest bidder. Any changes in the government policy and spending on projects are likely to affect the revenues of the company.

- **Working capital intensive nature of operations and high receivables**

The operation of the company is working capital intensive. The company raises bills after the completion of work contract. The company's client base is majorly government entities, where in the payments is elongated owing to procedural delays. The average collection period stood elongated at 128 days for FY22. The company makes payment to the creditors as and when the payments are realized. The procurement remains majority contract backed. Therefore, the company maintain minimal inventory in form of work in process for the work under execution.

- **Cyclicality in the IT industry coupled with technology obsolesce risk and country risk**

IT industry is cyclical in nature which leads to fluctuation in demand. This apart the industry is highly technology oriented which keeps changing time to time. Thus, the company has to keep upgrading its work procedure according to the needs of the clients. Furthermore, as the



## Press Release

IT industry is largely dependent on offshore projects (STTL earns ~22.97% of its turnover of FY22 from export of service and products), any turmoil in the foreign market leads to loss of projects.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Service Sector Companies](#)

[Financial Ratios & Interpretation \(Non-financial sector\)](#)

[Criteria of assigning rating outlook](#)

**Liquidity: Adequate**

The liquidity position of the company is expected to remain comfortable marked by its expected adequate gross cash accruals against its debt repayment obligations during FY23-FY25. The company has earned a gross cash accrual of Rs.9.12 crore in FY22 (Audited). Further, the average working capital utilisation of the company in the past 12 months ended in July 2022 remained satisfactory at ~20% indicating an adequate liquidity buffer. Moreover, driven by its comfortable gearing ratio the company has adequate gearing headroom.

### **About the Company**

Incorporated in February 1995, Silver Touch Technologies Ltd (STTL) was promoted by Ahmedabad (Gujarat) based technocrat Mr. Vipul H Thakkar along with other three promoters. Since inception, the company is engaged in providing Information Technology related services to various State Government, Central Government agencies and private organisations throughout the country. The company has started wholly owned subsidiaries (though there is no meaningful operation) in the countries like USA (Silver Touch Technologies INC), UK (Silver Touch Technologies UK Ltd) and France (Silver Touch Technologies SAS). On May 12, 2022, the Company has migrated to Main Board of both NSE and BSE.

Day-to-day affairs of the company are looked after by Mr. Vipul H Thakkar, CMD, along with other eight directors and a team of experience personnel.

**Financials (Standalone):**

For the year ended* / As On	(Rs. crore)	
	31-03-2021	30-03-2022
	Audited	Audited





## Press Release

Total Income	140.17	128.37
EBITDA	4.06	10.92
PAT	0.94	6.11
Total Debt	0.48	0.21
Tangible Net worth	77.29	82.21
EBITDA Margin (%)	2.90	8.51
PAT Margin (%)	0.66	4.71
Overall Gearing Ratio (x)	0.01	0.00

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	
1	Cash Credit	Long Term	10.00	IVR BBB/Stable	IVR BB+ (Issuer Not Cooperating)	IVR BBB; Under Credit Watch with Developing Implication (Feb 01,2022)	IVR BBB; Under Credit Watch with Developing Implication (March 23,2021)	IVR BBB+; Stable (January 24,2020)
2	Bank Guarantee	Long-term/ Short-Term	40.00 <sup>#</sup>	IVR BBB/Stable/ IVR A 3+	IVRBBB +/IVR A4+) (Issuer Not Cooperating)	IVR BBB /IVR A3+; Under Credit Watch with Developing Implication (Feb 01,2022)	IVR BBB /IVR A3+; Under Credit Watch with Developing Implication (March 23,2021)	IVR BBB+; Stable (January 24,2020)

*#Sublimit-Cash Credit of 5.00, WCDL of 5.00 and LC of 2.00*

**Name and Contact Details of the Rating Analyst:**

Name: Mr. Rahul Kr. Shaw	Name: Mr. Avik Podder
Tel: (033) 4803 3621	Tel: (033) 4803 3621



## Press Release

Email: [rahul.shaw@infomerics.com](mailto:rahul.shaw@infomerics.com)

Email: [apodder@infomerics.com](mailto:apodder@infomerics.com)

### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit <https://www.infomerics.com/>

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facility

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
LT Fund Based Limits – Cash Credit	-	-	-	10.00	IVR BBB/Stable
LT/ST Fund-based/ Non-Fund-based Limits – Bank Guarantee *	-	-	-	40.00	IVR BBB/Stable/IVR A3+

\*Sublimit-Cash Credit of 5.00, WCDL of 5.00 and LC of 2.00



## Press Release

**Annexure 2: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/Len-Silver-Touch-sep22.pdf>

**Annexure 3: List of companies considered for consolidated analysis: Not Applicable**

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at <https://www.infomerics.com>.

