



Press Release

Silver Touch Technologies Limited

September 12, 2023

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	10.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Long Term/ Short Term Bank Facilities	15.00	IVR BBB/Stable/ IVR A3+ (IVR Triple B with Stable Outlook / IVR A Three Plus)	Reaffirmed	Simple
Short Term Bank Facilities	25.00	IVR A3+ (IVR A Three Plus)	Reaffirmed*	Simple
Total	50.00 (INR Fifty Crore Only)			

* Reclassification of LT/ST Rating to ST Rating

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Silver Touch Technologies Limited (STTL) takes into account improvement in its business performance in FY23 along with satisfactory financial risk profile of the company 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 receivable days and exposure to cyclical in the IT industry.

Rating Sensitivities

Upward factors



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- 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 empanelled service provider of National Information Centre, RITES, RAILTEL, STPI, BSNL, Industrial Extension Bureau, Gujarat Informatics Limited etc. This apart, the company also provides IT services to various



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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. The company has an order book amounting to Rs.392.46 Crore as on June 30,2023 of which Rs.190.79 crore is expected to be realized in FY24 showing revenue visibility in the near term.

- **Diversified IT service portfolio with state-of-the-art servicing facilities**

The company provides services like, communication & networking, system integration, software development, web designing & multimedia, e-commerce, SEO, mobile application development etc. Apart from head office at Ahmedabad, the company has its branch and support offices in the cities like Delhi, Mumbai, Lucknow, Baroda, Surat, Kolkata and Bangalore. The company maintains international standard for providing services and accredited with CMMi5, ISO 9001:2008, ISO 27001 and ISO 20000 certifications for quality of service. These quality certifications help the company to portray itself among prospective clients and fetch new and repeat orders regularly.

- **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.

- **Improvement in business performance in FY23**

The total operating income of the company witnessed a y-o-y growth of ~19% i.e. from Rs. 128.37 in FY22(A) to Rs. 152.20 in FY23(A), driven by improvement in revenue from Computers & IT Services. Further, the new service contracts along with timely delivering of service also support the revenue in FY23. The EBITDA margin of the company also witnessed improvement from 8.51% in FY22(A) to 9.67 % in FY23(A) mainly on the back of increase revenue from sale of services coupled with operating cost optimisation. Further, the PAT margin also improved from 4.71% in FY22(A) to 5.85 % in FY23(A) on the back of rise in absolute EBITDA in FY23. Further, the gross cash accruals of the company have improved to Rs.12.69 crore in FY23. In Q1FY24, the company has achieved a PAT of Rs.1.09 crore on a total operating income of Rs. 39.70 crore.



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- **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 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 continues to remain comfortable at 0.05x as on March 31, 2023 (Nil as on March 31, 2022). Moreover, the overall gearing ratio and total indebtedness marked by TOL/TNW also remained comfortable at 0.12x and 0.55 x respectively as on March 31, 2023 (Nil and 0.43 x respectively as on March 31, 2022). The debt protection parameters of the company continue to remain comfortable, marked by interest coverage ratio at 10.79x as on March 31, 2023 (14.78x as on March 31, 2022) and Total Debt/GCA at 0.84x as on March 31, 2023 (0.02x as on March 31, 2022). The DSCR also remained comfortable at 9.92x in FY23.

Key Rating Weaknesses

- **Modest scale of operation**

The scale of operations of the company continues to remain modest at ~Rs.155 crore in FY23. Modest scale of operations restricts the financial flexibility of the company to an extent.

- **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,



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where in the payments is elongated owing to procedural delays. The average collection period stood elongated at 118 days in FY23. 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 IT industry is largely dependent on offshore projects (STTL earns ~10.49% of its turnover of FY23 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 strong marked by its expected adequate gross cash accruals against its insignificant debt repayment obligations during FY24-FY26. The company has earned a gross cash accrual of Rs.12.69 crore in FY23 (Audited). Further, the average working capital utilisation of the company in the past 12 months ended in July 2023 remained satisfactory at ~49% 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



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organisations throughout the country. The company has started wholly owned subsidiaries in the countries like USA (Silver Touch Technologies INC), UK (Silver Touch Technologies UK Ltd) and France (Silver Touch Technologies SAS).

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Income	128.37	154.85
EBITDA	10.92	14.71
PAT	6.11	9.06
Total Debt	0.21	10.68
Tangible Net worth	82.16	89.05
EBITDA Margin (%)	8.51	9.67
PAT Margin (%)	4.71	5.85
Overall Gearing Ratio (x)	0.00	0.12

*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 2023-24)		Rating History for the past 3 years				
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23		Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	10.00	IVR BBB/Stable	IVR BBB/Stable (Sept 14, 2022)	IVR BB+ (Issuer Not Cooperating) (Aug 02, 2022)	IVR BBB; Under Credit Watch with Developing Implication (Feb 01, 2022)	IVR BBB; Under Credit Watch with Developing Implication (March 23, 2021)
2.	Bank Guarantee	Long-term/ Short	15.00*	IVR BBB/Stable/ IVR A3+	IVR BBB/Stable/	IVRBB+ /IVR A4+	IVR BBB /IVR A3+;	IVR BBB /IVR A3+; Under



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		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23		Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
		-Term			IVR A 3+ (Sept 14,2022)	(Issuer Not Cooperating (Aug 02,2022)ng)	Under Credit Watch with Developing Implication (Feb 01,2022)	Credit Watch with Developing Implication (March 23,2021)
3.	Bank Guarantee	Short -Term	25.00	IVR A3+^	IVR BBB/Stable/ IVR A 3+ (Sept 14,2022)	IVRBB+ /IVR A4+) (Issuer Not Cooperating (Aug 02,2022)ng)	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)

*Sublimit-Cash Credit of Rs.5.00 crore, WCDL of Rs.5.00 crore, LC of Rs.2.00 crore and Pre/Post shipment credit- Rs.5.00 crore.

^Reclassification of long term short term rating to short term rating.

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics



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commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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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 *	-	-	-	15.00	IVR BBB/Stable/IVR A3+
ST Fund-based/ Non-Fund-based	-	-	-	25.00	IVR A3+



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Limits – Bank Guarantee					
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**Sublimit-Cash Credit of Rs.5.00 crore, WCDL of Rs.5.00 crore, LC of Rs.2.00 crore and Pre/Post shipment credit- Rs.5.00 crore.*

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-sttl-sep23.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>.