



## Press Release

### Silver Touch Technologies Limited

September 06, 2024

#### Ratings

Security/ Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Term Loan	13.10	IVR BBB+/Stable (IVR Triple B plus with stable outlook)	-	Assigned	Simple
Long Term Bank Facilities – Cash Credit	10.00	IVR BBB+/Stable (IVR Triple B plus with stable outlook)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	Upgraded	Simple
Long Term Bank Facilities – Cash Credit	18.00	IVR BBB+/Stable (IVR Triple B plus with stable outlook)	-	Assigned	Simple
Long term / Short Term Bank Facilities – Bank Guarantee	15.00	IVR BBB+/Stable/IVR A2 (IVR Triple B plus with Stable outlook; IVR A Two)	IVR BBB/Stable/IVR A3+ (IVR Triple B with Stable outlook; IVR A three plus)	Upgraded	Simple
Short Term Bank Facilities – Bank Guarantee	25.00	IVR A2 (IVR A Two)	IVR A3+ (IVR A three plus)	Upgraded	Simple
<b>Total</b>	<b>81.10 (Rs. Eighty-one crore and ten lakhs only)</b>				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

The upgrade (assigned for new bank facilities) in the ratings assigned to the bank facilities of Silver Touch Technologies Limited (STTL) considers sustained growth in the business performance of the company with improvement in profitability and cash accruals, satisfactory capital structure with comfortable debt protection metrics and satisfactory order book position indicating healthy revenue visibility. Further the aforesaid ratings also continue to derive comfort from its long track record of promoters, association with reputed clientele resulting in low counter party risk and locational advantage. However, these rating strengths remain constrained due to its exposure to intense competition, exposure to technology obsolescence risk and working capital-intensive nature of its operations. The outlook is expected to remain



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stable on account of healthy orderbook of the company indicating revenue visibility for the near to medium term.

### **Key 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

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

#### **Key Rating Strengths**

- **Long track record under experienced and qualified promoters**  
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.
- **Reputed clientele resulting in low counter party risk**  
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 big domestic private players engaged in banking, manufacturing and trading segments.
- **Satisfactory order book position indicating healthy revenue visibility**



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The company has an order book amounting to Rs.521.34 Crore as on June 30,2024 of which Rs.206.46 crore is expected to be realized in FY24-25 (FY refers to the period from April 1 to March 31) indicating revenue visibility in the near future.

- **Locational advantage**

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.

- **Sustained growth in business performance**

The total operating income of the company witnessed a y-o-y growth of ~36% i.e. from Rs.152.20 crore in FY23(A) to Rs.206.77 crore in FY24(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 FY24. The EBITDA margin of the company also witnessed improvement from 9.67% in FY23 (A) to 11.52% in FY24(A) mainly on the back of increase in revenue from sale of services coupled with operating cost optimisation. Further, the PAT margin also improved from 5.85% in FY23 (A) to 7.56 % in FY24(A) on the back of rise in absolute EBITDA. On the back of improved profitability, net cash accruals of the company have also improved to Rs.19.17 crore in FY24.

- **Satisfactory capital structure and comfortable debt protection metrics**

Financial risk profile of the company continued to remain satisfactory marked by its comfortable capital structure as on the 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 though moderated yet remained comfortable at 0.12x as on March 31, 2024 [0.05x as on March 31,2023]. The overall gearing ratio and total indebtedness marked by TOL/ATNW also remained comfortable at 0.12x and 0.56x respectively as on March 31, 2024. The debt protection parameters of the company continue to remain comfortable, marked by interest coverage ratio at 16.54x as on March 31,2024 (10.79x as on March 31,2023) and Total Debt/EBITDA at 0.54x as on March 31,2024(0.73x as on March 31,2023). The DSCR also remained comfortable at 11.54x in FY24.

### Key Rating Weaknesses



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- **Competition from major player in the industry, technology obsolescence risk.**  
IT/ITES industry is very competitive and mostly organised in India. The company faces stiff competition from large industries impacting its pricing flexibility; in addition to the ability of the company to acquire new customers also. There are various players catering to the same market which leads to limiting the bargaining power of the company and consequent pressure on its margins. The company's modest scale of operations restricted its operational and financial flexibility to an extent. Any adverse technological changes would have an adverse impact on the revenues of the company. Though the company is empanelled by various Government agencies for IT needs, the orders are majorly awarded through the tender-based system.
- **Working capital intensive nature of operations**  
The operation of the company is working capital intensive. The company raises bills after the completion of the work contract. The company's client base majorly constitutes of government entities, where in the payments is elongated owing to procedural delays. The average collection period stood elongated at 110 days in FY24 (A). 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.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Service Sector Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

**Liquidity – Strong**

The liquidity profile of the company is expected to remain strong marked by sufficient expected cash accruals of Rs.30.00 crore- Rs.47.00 crore vis-à-vis its debt repayment obligation of Rs.3.43 crore - Rs.3.96 crore during FY25-27. Moreover, the overall gearing remained comfortable at 0.12x as on March 31, 2024, indicating adequate gearing headroom. Further, the average working capital utilisation remained at ~72% during the last twelve months ended July 2024 which also indicates adequate liquidity buffer.



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### 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 provides services like, communication & networking, system integration, software development, web designing & multimedia, e-commerce, SEO, mobile application development etc. The company has started wholly owned subsidiaries in the countries like USA (Silver Touch Technologies INC), UK (Silver Touch Technologies UK Ltd) and Canada (Silver Touch Technologies Canada Limited).

### Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	152.20	206.77
EBITDA	14.71	23.81
PAT	9.06	15.83
Total Debt	10.68	12.75
Tangible Net Worth	89.05	104.60
EBITDA Margin (%)	9.67	11.52
PAT Margin (%)	5.85	7.56
Overall Gearing Ratio (x)	0.12	0.12
Interest Coverage (x)	10.79	16.54

\* Classification as per Infomerics' standards.

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

**Any other information: Nil**

**Rating History for last three years:**

S r. N o.	Name of Security/ Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23		Date(s) & Rating(s) assigned in 2021-22
					Sept 12, 2023	Sept 14, 2022	Aug 02, 2022	Feb 01, 2022
1.	Term Loan	Long Term	13.10	IVR BBB+/ Stable	-	-	-	-
2.	Cash Credit	Long Term	10.00	IVR BBB+/ Stable	IVR BBB/ Stable	IVR BBB/ Stable	IVR BB+ (Issuer Not Cooperating)	IVR BBB; Under Credit Watch with





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					Sept 12, 2023	Sept 14, 2022	Aug 02, 2022	Feb 01, 2022
								Developing Implication
3.	Cash Credit	Long Term	18.00	IVR BBB+/ Stable	-			-
4.	Bank Guarantee	Long Term/ Short Term	15.00	IVR BBB+/ Stable / IVR A2	IVR BBB/ Stable / IVR A3+	IVR BBB/ Stable / IVR A3+	IVRBB+ /IVR A4+ (Issuer Not Cooperating)	IVR BBB /IVR A3+; Under Credit Watch with Developing Implication
5.	Bank Guarantee	Short Term	25.00	IVR A2	IVR A3+*	IVR BBB/ Stable / IVR A3+	IVRBB+ /IVR A4+ (Issuer Not Cooperating)	IVR BBB /IVR A3+; Under Credit Watch with Developing Implication

\*Reclassification of Long Term/Short Term Rating to Short Term Rating

### Analytical Contacts:

Name: Harshita Gupta

Tel: (033) 46022266

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

Name: Avik Podder

Tel: (033) 46022266

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

### 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 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.



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

For more information and definition of ratings please visit [www.infomerics.com](http://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 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: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	36 Months	5.60	IVR BBB+; Stable
Term Loan	-	-	-	78 Months	7.50	IVR BBB+; Stable
Cash Credit	-	-	-	-	28.00	IVR BBB+; Stable
Bank Guarantee	-	-	-	-	15.00	IVR BBB+; Stable / IVR A2
Bank Guarantee	-	-	-	-	25.00	IVR A2

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-STTL-sep24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities:** Not Applicable

**Annexure 4: List of companies considered for consolidated/Combined analysis:** 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 [www.infomerics.com](http://www.infomerics.com).