

October 23, 2017

Vareli Tecnac Private Limited

Summary of rated instruments

Instrument [^]	Rated Amount (Rs. crore)	Rating Action*
Fund-based Limit	1.00	[ICRA]BB (Stable) ISSUER NOT COOPERATING*; Rating moved to the 'Issuer Not Cooperating' category
Non-fund based Limit	10.00	[ICRA]A4 ISSUER NOT COOPERATING*; Rating moved to the 'Issuer Not Cooperating' category
Total	11.00	

* Issuer did not co-operate; based on best available information

[^]Instrument Details are provided in Annexure-1

Rating action

ICRA has moved the ratings for the Rs. 11-crore bank facilities of Vareli Tecnac Private Limited (VTPL) to the 'Issuer Not Cooperating' category. The ratings are now denoted as: "[ICRA]BB (Stable) / [ICRA]A4 ISSUER NOT COOPERATING".

Rationale

The ratings are based on limited updated information on the entity's performance since the time it was last rated in April, 2016. The lenders, investors and other market participants are thus advised to exercise appropriate caution while using this rating as the rating does not adequately reflect the credit risk profile of the entity. The entity's credit profile may have changed since the time it was last reviewed by ICRA; however, in the absence of requisite information, ICRA is unable to take a definitive rating action.

As part of its process and in accordance with its rating agreement with VTPL, ICRA has been trying to seek information from the entity so as to monitor its performance, but despite repeated requests by ICRA, the entity's management has remained non-cooperative. In the absence of requisite information, and in line with SEBI's Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, ICRA's Rating Committee has taken a rating view based on the best available information.

Key rating drivers

Credit strengths

- **Strategic tie-ups with a number of globally renowned IT vendors, strengthening VTPL's operating profile** – The company acts as a business partner for a number of globally renowned IT companies viz. Hewlett-Packard, Dell, IBM, Cisco, Acer, Oracle, etc., which strengthens its operating profile and also mitigates supply risks to an extent.
- **Reputed client base, which reduces counter-party risks to a large extent** – VTPL caters to CIL's subsidiaries and other Government departments which account for a major portion of the company's revenues. The company's reputed client base reduces counter-party risks to a large extent.

Credit weaknesses

- **VTPL's small scale of operations and moderate track record relative to the established players in the highly competitive industry** – The presence of a large number of players in the industry intensifies competition and limits the company's bargaining power against its large clients. Due to the small scale of its current operations and moderate track record relative to the established players in the industry, VTPL works as a sub-contractor for companies like Wipro Ltd. and Webel Technology Ltd. in relatively large-sized projects.
- **Exposure to client and segment concentration risks** – Owing to significant experience of the promoters in the coal mining sector, a major portion of the company's revenues was derived from CIL's subsidiaries in the past years. This makes the company's top-line vulnerable to significant client and segment concentration risks. However, in the recent years the company has expanded its customer base into other segments as well, including educational and financial institutions, other corporate clients and Government departments.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Issuers in the Information Technology \(Hardware\) Industry](#)

About the company:

The company was initially set up as an investment company in the name of Vareli Trexim Pvt. Ltd. in March 1994. Subsequently, with an intention to foray into the IT business, the promoters changed the company's name to Vareli Tecnac Pvt. Ltd. in November 2008. VTPL acts as a system integrator, and is also engaged in hardware reselling, software licensing, development and implementation, as well as leasing, maintenance and servicing of various IT assets. Besides its main office at Kolkata, VTPL also operates from branch offices at different cities all over India.

Key Financial Indicators

	FY2015	FY2016
Operating Income (Rs. crore)	31.15	33.38
PAT (Rs. crore)	0.37	0.65
OPBDIT/ OI (%)	13.96%	13.33%
RoCE (%)	8.06%	9.05%
Total Debt/ TNW (times)	0.81	0.93
Total Debt/ OPBDIT (times)	2.22	2.68
Interest coverage (times)	3.62	3.75
NWC/ OI (%)	35%	44%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);

NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

**Rating history for last three years:
Table:**

S.No	Instrument	Current Rating (2017)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
					October 2017	April 2016	-	October 2014
1.	Cash Credit	Long Term	1.00	Not available	[ICRA]BB (Stable) ISSUER NOT COOPERATING*	[ICRA]BB (Stable)	-	[ICRA]BB- (Stable)
2.	Bank Guarantee	Short Term	10.00	Not available	[ICRA]A4 ISSUER NOT COOPERATING*	[ICRA]A4	-	[ICRA]A4

* Issuer did not co-operate; based on best available information

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple," "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

**Annexure-1
Instrument Details**

Name of the instrument	Date of Issuance/ Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
Cash Credit	-	-	-	1.00	[ICRA]BB (Stable) ISSUER NOT COOPERATING*
Bank Guarantee	-	-	-	10.00	[ICRA]A4 ISSUER NOT COOPERATING*

Source: Vareli Tecnac Private Limited

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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