



SMERA RATINGS LIMITED

# Technocom

## Rating Rationale

**September 12, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.50	SMERA BB+/Stable (Assigned)
Bank Guarantee	10.00	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.14.50 crore bank facilities of Technocom. The outlook is '**Stable**'. The ratings are supported by the firm's experienced management, strong order book position, healthy operating profit margin and strong financial risk profile. However, the ratings are constrained by the firm's exposure to revenue concentration risk. The ratings are also constrained by the firm's small-scale operations.

Technocom, established in 1984, is a Guwahati-based proprietorship firm engaged in development of railway infrastructure. Technocom benefits from its experienced management. Mr. Dwarka Prasad Didwania, proprietor of Technocom, has around three decades of experience in the firm's line of business. Technocom also benefits from its strong order book position. The firm has orders of ~Rs.115 crore, which are likely to be executed over the next three years. Technocom reported healthy operating profit margin of 7.92 per cent in FY2012-13 (refers to financial year, April 01 to March 31). The firm's strong financial risk profile is marked by low gearing (debt-to-capital ratio) of 0.36 times as on March 31, 2013 and healthy interest coverage ratio of 3.08 times in FY2012-13.

Technocom is exposed to revenue concentration risk arising from high dependence on the railway sector. The firm's small-scale operations are reflected in revenue of Rs.27.34 crore in FY2012-13.

### **Outlook: Stable**

SMERA believes Technocom will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management and healthy revenue visibility. The outlook may be revised to 'Positive' in case the firm registers substantial growth in revenues and profitability while achieving a comfortable financial risk profile. The outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability, or in case of stretch in the firm's working capital cycle.

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### About the firm

Technocom, established in 1984, is a Guwahati-based proprietorship firm promoted by Mr. Dwarka Prasad Didwania. Technocom is engaged in development of railway infrastructure. The firm undertakes designing, testing, installation and maintenance of signalling systems for the Indian Railways.

For FY2012–13, Technocom reported profit after tax (PAT) of Rs.1.55 crore on operating income of Rs.27.34 crore, as compared with PAT of Rs.1.81 crore on operating income of Rs.34.62 crore in FY2011–12. The firm's net worth stood at Rs.19.58 crore as on March 31, 2013, as compared with Rs.13.50 crore a year earlier. Further, Technocom registered revenue of ~Rs.10.00 crore (as informed by the management) during April 2014 to July 2014.

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