



SMERA RATINGS LIMITED

Technocom

Rating Rationale

September 07, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.50	SMERA BBB-/ Stable (Upgraded from SMERA BB+/Stable)
Bank Guarantee	10.00	SMERA A3 (Upgraded from SMERA A4+)

SMERA has upgraded the long-term rating of the Rs.4.50 crore bank facility of Technocom to **'SMERA BBB-' (read as SMERA triple B minus)** from **'SMERA BB+' (read as SMERA double B plus)** and the short-term rating of the Rs.10.00 crore bank facility to **'SMERA A3' (read as SMERA A three)** from **'SMERA A4+' (read as SMERA A four plus)**. The outlook is **'Stable'**.

The upgrade reflects the healthy liquidity profile evident from the improved operating cycle and consistent growth in the firm's scale of operations. The ratings continue to derive support from the strong financial risk profile and experienced management. However, the ratings remain constrained by the firm's exposure to revenue concentration risk and intense competition in the civil construction industry.

Update

Technocom has shown consistent revenue growth over the years registering an operating income of Rs.62.53 crore (provisional) in FY2014-15 from Rs.28.81 crore in FY2013-14. The firm's working capital days reduced from 177 days in FY2013-14 to 75 days (provisional) in FY2014-15. The debtor days also decreased from 125 days in FY2013-14 to 76 days (provisional) in FY2014-15, on account of change in its collection policy (bills are now raised on a periodic basis on the Railways unlike the past). Technocom's working capital limit utilisation stands low at ~47 per cent from Aug 2014 to July 2015.

Technocom continues to derive support from the healthy financial risk profile marked by low gearing of 0.35 times (provisional) and healthy interest coverage ratio of 5.92 times (provisional) in FY2014-15. The ratings also continue to be supported by the firm's experienced management. The firm's proprietor, Mr. Dwarka Prasad Didwania has over three decades of experience in the firm's line of business and is ably supported by second line of management.

However, the ratings are constrained by the firm's exposure to revenue concentration risk arising from high dependence on the railways and intense competition in the civil construction industry.

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**Outlook: Stable**

SMERA believes Technocom will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm expands its client base and achieves significant improvement in its liquidity position and financial risk profile. The outlook may be revised to 'Negative' in case of significant decline in the firm's financial risk profile or deterioration in the firm's debt protection metrics and working capital management.

About the Firm

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

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