

Technocom (TC)

Technocom: Downgraded

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	6.00 (enhanced from Rs.4.50 crore)	SMERA BB+/Stable (Downgraded from SMERA BBB-/ Stable)
Bank Guarantee	10.00	SMERA A4+ (Downgraded from SMERA A3)

SMERA has downgraded the rating on the Rs.6.00 crore long term (fund based) bank facility of Technocom (TC) to '**SMERA BB+ (read as SMERA double B plus)**' from 'SMERA BBB-' (read as SMERA triple B minus) and the Rs.10.00 crore short term (non-fund based) facility to '**SMERA A4+ (read as SMERA A four plus)**' from 'SMERA A3' (read as SMERA A three). The outlook continues to remain '**Stable**'.

The rating downgrade is driven by decline in the firm's operating income and stressed working capital cycle marked by increase in gross current assets. The downgrade takes into account the firm's exposure to revenue concentration risk and intense competition in the civil construction industry. However, the ratings continue to draw support from the experienced management, low leverage and comfortable coverage indicators.

Update

For FY2015-16 (Provisional) (refers to financial year, April 01 to March 31), TC registered profit after tax (PAT) of Rs.2.65 crore on operating income of Rs.44.63 crore in contrast to PAT of Rs.3.84 crore on operating income of Rs.66.23 crore in FY2014-15. The firm's operations are working capital intensive marked by gross current asset (GCA) of 268 days (provisional) against 169 days during the previous year. The high GCA days emanates from the high inventory holding period of 88 days (provisional), as against 12 days in FY2014-15. SMERA also notes that the firm is exposed to revenue concentration risk arising from high dependence on railways and intense competition from other players in the civil construction industry.

However, TC benefits from its experienced management. Mr. Dwarka Prasad Didwania, Proprietor has over 30 years of experience in the firm's line of business and is ably supported by a second line of management. Further, the ratings also draw support from the low leverage (debt-equity ratio) of 0.32 times (provisional) in FY2015-16 against 0.34 times during the previous year. The ratings also note the interest coverage ratio of 6.05 times in FY2015-16 (provisional) as compared to 9.84 times in FY2014-15.

Outlook: Stable

SMERA believes that TC will maintain a stable outlook over the medium term and continue to benefit from its experienced partners. The outlook may be revised to 'Positive' in case of significant and sustained improvement in operating income and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the firm's profitability or debt funded capital expansion.

Rating Sensitivity Factors

- Efficient working capital cycle
- Sustainable growth in revenue

About the Firm

The Assam-based TC incorporated in 1984 by Mr. Dwarka Prasad Didwania undertakes designing and testing, installation and maintenance of signalling systems for Indian Railways.

For FY2014–15, the firm reported profit before tax (PBT) of Rs.3.84 crore on operating income of Rs.66.23 crore, as compared with PBT of Rs.2.00 crore on operating income of Rs.28.81 crore in FY2013–14. As per the 12 month provisional financials for FY2015-16, the firm reported PBT of Rs.2.65 crore on operating income of Rs.44.63 crore. The net worth stood at Rs.23.72 crore (provisional) as on March 31, 2016 as against Rs.25.45 crore a year earlier.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Outlook
			Long Term	Short Term	
07 Sept, 2015	Cash Credit	4.50	SMERA BBB- (Upgraded)	-	Stable
	Bank Guarantee	10.00	-	SMERA A3 (Upgraded)	-
12 Sept, 2014	Cash Credit	4.50	SMERA BB+ (Assigned)	-	Stable
	Bank Guarantee	10.00	-	SMERA A4+ (Assigned)	-

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ABOUT SMERA

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