

Press Release

Technocom

27 December, 2017

Rating Upgraded



Total Bank Facility Rated *	Rs.21.00 Crore (Enhanced from Rs 16.00 Crore)
Long Term Rating	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Short Term Rating	SMERA A3 (Upgraded from SMERA A4+)

**Refer Annexure for details*

Rating Rationale

SMERA has upgraded the long term rating on the Rs.21.00 crore bank facilities of Technocom to '**SMERA BBB-**' (read as **SMERA triple B minus**) from '**SMERA BB+**' (read as **SMERA double B plus**) and short term rating to '**SMERA A3**' (read as **SMERA A three**) from '**SMERA A4+**' (read as **SMERA A four plus**). The outlook is '**Stable**'.

The upgrade is in view of the rise in operating income, improvement in financial risk profile and healthy order book position.

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

List of key rating drivers and their detailed description

Strengths:

Experienced management and long track record of operations

Technocom was established in 1984 by Mr. Dwarka Prasad Didwania who has over three decades of work experience and is well supported by qualified and experienced professionals.

Healthy order book position

Technocom has a healthy current order book position of Rs 182.00 crore from the Indian Railways which is likely to be executed over the next 2-3 years, thereby providing revenue visibility in the medium term. The firm undertakes orders from Northeast Frontier Railways, Northern Railways, Western Railways and North Western Railways.

Comfortable financial risk profile

The financial risk profile is healthy marked by improvement in net worth levels, gearing and debt protection metrics. The net worth stood comfortable at Rs 27.94 crore in FY2017 as compared to Rs 23.72 crore in FY2016. The gearing improved to 0.01 times in FY2017 as compared to 0.32 times in FY2016. The total debt of Rs. 0.21 crore in FY2017 consists of short term working capital facilities of Rs.0.18 crore and as unsecured loan from promoters. The Interest Coverage Ratio (ICR) improved to a comfortable 12.36 times for FY2017 as against 6.05 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 10.90 times in FY2017 as against 6.05 times in FY2016.

Improvement in working capital cycle

The working capital cycle improved marked by Gross Current Asset (GCA) days of 170 in FY2017 as against 268 in FY2016. The improvement is mainly on account of lower inventory days of 26 in FY2017 as against 88 days in FY2016. The collection period improved to 51 days in FY2017 from 57 days in FY2016. The average cash credit limit utilisation has been ~50 per cent during the last 12 months ended November 2017.

Weaknesses:

Modest scale of operations

The scale of operations is moderate with revenue of Rs 63.62 crore in FY2017 as against Rs 44.63 crore in FY2016. The firm booked revenue of Rs 40 crore YTD (till November 2017).

Client concentration risk

The firm is exposed to client concentration risk since it undertakes projects only for the Indian Railways and ~65 per cent of its revenue is accounted by the Northeast Frontier Railways.

Analytical approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profile of Technocom.

Applicable Criteria

- Service Entities - <https://www.smera.in/criteria-services.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook - Stable

SMERA believes that the outlook on Technocom's rated facilities will remain stable over the medium term on account of its experienced management and healthy order book position. The outlook may be revised to 'Positive' if the firm registers sustained growth in revenue while improving profit margins and maintaining comfortable working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenue and profitability margins or deterioration in the capital structure on account of higher than estimated working capital borrowings.

About the Rated Entity - Key Financials

	Unit	FY17(Actual)	FY16(Actual)	FY15(Actual)
Operating Income	Rs. Cr.	63.62	44.63	66.23
EBITDA	Rs. Cr.	4.20	2.84	4.07
PAT	Rs. Cr.	3.80	2.65	3.84
EBITDA Margin	(%)	6.60	6.36	6.14
PAT Margin	(%)	5.97	5.93	5.81
ROCE (%)	(%)	13.91	9.71	13.55
Total Debt/Tangible Net Worth	Times	0.01	0.32	0.34
PBDIT/Interest	Times	12.36	6.05	9.84
Total Debt/PBDIT	Times	0.05	2.37	1.99
Gross Current Assets (Days)	Days	170	268	169

Status of non-cooperation with previous CRA:

None

Any other information:

None

Rating History for the last three years:

Date	Name of Instruments/Facilities	Term	Amount (Rs Crore)	Ratings/Outlook
2 Dec, 2016	Cash Credit	Long	6.00	SMERA BB+/Stable (Downgraded)
	Bank Guarantee	Short	10.00	SMERA A4+ (Downgraded)
7 Sept '2015	Cash Credit	Long	4.50	SMERA BBB-/Stable (Upgraded)
	Bank Guarantee	Short	10.00	SMERA A3 (Upgraded)
12 Sept, 2014	Cash Credit	Long	4.50	SMERA BB+/Stable (Assigned)
	Bank Guarantee	Short	10.00	SMERA A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	NA	NA	NA	6.00	SMERA BBB-/Stable (Upgraded)
Bank Guarantee	NA	NA	NA	15.00	SMERA A3 (Upgraded)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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