

Press Release

Technocom

January 31, 2019



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 38.00 Cr. (Enhanced from Rs. 21.00 crore)
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) to Rs. 38.00 crore bank facilities of Technocom. The outlook is '**Stable**'.

Technocom (TC) is a proprietorship concern established in 1984 by Mr. Dwarka Prasad Didwania. TC provides signaling and telecom services to railway industry. The firm largely undertakes designing, testing, installation and maintenance of signaling systems for Indian Railways.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Technocom to arrive at this rating.

Key Rating Drivers

Strengths

- **Long operational track record experienced management**

The proprietor has extensive experience of over three decades in designing, testing, installation and maintenance of signaling systems for Indian Railways. The entity has a long track record of over 3 decades. Mr. Dwarka Prasad Didwania is well supported by qualified and experienced second line of management.

- **Healthy order book position**

Technocom has healthy current order book position of Rs.155.00 crore from Railways which is likely to be executed in the next 2-3 years, thereby providing revenue visibility in the medium term. The orders are undertaken from Northern Frontier Railways, Northern Railways, Western Railways.

- **Comfortable financial risk profile**

The firm has healthy financial risk profile marked by high tangible net worth of Rs.52.84 crore as on 31 March, 2018 as against Rs. 27.94 crore as on 31 March, 2017. The improvement is mainly due to accretion to reserves apart from capital infusion. The gearing stood low at 0.14 times as on 31 March, 2018 as against 0.01 time as on 31 March, 2017. The total debt of Rs.7.20 crore consist majorly of short term debt of Rs.6.65 crore and unsecured loans from related party of Rs. 0.55 crore as on 31 March, 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.54 times as on 31 March, 2018 as against 0.37 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 44.27 times for FY 2018 as against 12.36 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 44.27 times in FY2018 as against 10.90 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 1.93 times as on 31 March, 2018 as against 18.76 times as on 31 March, 2017.

- **Established market presence**

The firm has an established market presence in the north east being the sole entity to undertake designing, testing, installation and maintenance of signaling systems for Indian Railways. The established market presence has resulted in repeat orders from Indian Railways.

Weaknesses

• Modest scale of operations

Technocom has modest scale of operations despite being in operation for the last three decades. The firm has reported operating income of Rs. 46.02 crore in FY 2018 as against Rs.63.62 crore in FY 2017 due to lower execution of projects. During the current year, the entity has clocked revenue of Rs.48.00 crore till September 2018.

• Working capital intensive nature of operations

The working capital cycle improved marked by Gross Current Asset (GCA) days of 431 in FY2018 as against 170 in FY2017. This deterioration is mainly on account of higher inventory days of 434 in FY2018 as against 26 in FY2017. Out of this, around Rs.37.86 crore of inventories have been piled up in the form of work in progress as against nil in the previous year. As against this, only Rs.4.27 crore was there in the inventory in the form of finished goods as on March 31, 2017. The collection period increased to 105 days in FY2018 from 51 days in FY2017. The GCA days also consist of other current asset of Rs.9.81 crore as on March 31, 2018. The average cash credit limit utilisation has been ~35 percent during April to September 2018.

Liquidity Position

TC has a moderate liquidity position. The firm's net cash accruals stood at Rs.13.87crore in FY2018 with no maturing debt obligations over the same period. The firm's operations are working capital intensive as marked by gross current asset (GCA) days of 431 in FY 2018. The current ratio of the firm stood moderate at 2.38 times as on March 31, 2018. Acuite believes that the liquidity of the firm is likely to remain moderate over the medium term.

Outlook: Stable

Acuite believes the outlook on TC's rated facilities will remain 'Stable' over the medium term on account of the firm's experienced management and long track record of operations. The outlook may be revised to 'Positive' if the firm registers a sustained growth in revenue while improving profit margins and maintaining comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' if there is a steep decline in the firm's operating profit margins or in case of a significant deterioration in the firm's capital structure on account of larger than envisaged working capital borrowings.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	46.02	63.62	44.63
EBITDA	Rs. Cr.	14.20	4.20	2.84
PAT	Rs. Cr.	13.81	3.80	2.65
EBITDA Margin	(%)	30.85	6.60	6.36
PAT Margin	(%)	30.01	5.97	5.93
ROCE	(%)	32.05	13.91	9.71
Total Debt/Tangible Net Worth	Times	0.14	0.01	0.32
PBDIT/Interest	Times	44.27	12.36	6.05
Total Debt/PBDIT	Times	0.51	0.05	2.37
Gross Current Assets (Days)	Days	431	170	268

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-14.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Dec-2017	Cash Credit	Long Term	6.00	ACUITE BBB-/ Stable (Upgraded)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Upgraded)
2-Dec-2016	Cash Credit	Long Term	6.00	ACUITE BB+/ Stable (Downgraded)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Downgraded)
7-Sep-2015	Cash Credit	Long Term	4.50	ACUITE BBB-/ Stable (Upgraded)
	Bank Guarantee	Short Term	10.00	ACUITE A3 (Upgraded)
12-Sep-2014	Cash Credit	Long Term	4.50	ACUITE BB+/ Stable (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00 (Enhanced from Rs.15.00 crore)	ACUITE BBB-/ Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	28.00 (Enhanced from Rs.6.00 crore)	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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