



Press Release
Technocom
August 08, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	27.00	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	10.00	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	5.00	-	ACUITE A4+ Assigned
Bank Loan Ratings	28.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	70.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 38.00 Cr. bank facilities of Technocom (TC). The outlook is 'stable'.

Acuite has assigned the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 32.00 Cr. bank facilities of Technocom (TC). The outlook is 'Stable'.

Rationale for reaffirmation

The rating reaffirmation factors in the steady business position of the firm as reflected from its steady profitability margins over the last 3 years and healthy outstanding order book position reflecting revenue visibility in the near to medium term. The firm's revenue declined to Rs. 77.83 Cr. in FY2024 (Prov.) from Rs. 103.38 Cr. in FY2023. However, the firm maintained its operating profitability margins which stood at 8.71% in FY2024 (Prov.) against 7.54% in FY2023 and 8.87% in FY2022. The ratings also factor in the established track record of the management in the industry. The rating further derives comfort from the firm's healthy financial risk profile characterised by healthy net worth, comfortable gearing and moderate debt protection metrics. However, these strengths are partially offset by intensive working capital operations, and tender based nature of operations and competitive industry.

About the Company

Technocom (TC) was established in 1984 by Mr. Dwarka Prasad Didwania, operates as a partnership firm based in Guwahati. The firm is a Class I contractor for the Indian Railways, specializing in comprehensive signalling and telecom services. It engages in tender-based contracts involving the design, testing, installation, and maintenance of signalling systems for the Indian Railways. In FY2023, Technocom expanded into household contracts segment, providing piped water supply under the Jal Jeevan Mission. The firm is managed by partners Mr. Mayank Didwania, Mrs. Puspa Didwania, and Mr. Dwarka Prasad Didwania. To enhance its project capacity, Technocom forms joint venture, leveraging the bid capacities of its partner for larger projects

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of TC while arriving at the rating.

Key Rating Drivers

Strengths

Long track record of operation and experienced management

With over 38 years in the railway infrastructure sector, Technocom has established a strong foothold in Assam. Partner Mr. Dwarka Prasad Didwania, the founder partner in the firm, brings more than three decades of expertise in railway signalling and infrastructure Industry. The firm has built a lasting presence in the industry, fostering a strong relationship with Indian Railways. The revenue of the firm declined to Rs. 77.83 Cr. in FY2024 (Prov.) as compared to Rs.103.38 Cr. in FY2023 due to some delays related to election process.

However, the firm has maintained stable operating profit margins over the last three years. It stood at 8.71% in FY2024 (Prov.) against 7.54% in FY2023 and 8.87% in FY2022. Additionally, the firm's contracts with government authorities are adequately safeguarded against fluctuations in raw material prices through built-in price escalation clauses. This strategic measure shields the firm from significant variations in raw material prices, thereby protecting operating margins to a certain extent. Further, the firm has a healthy unexecuted order book position of Rs. 320.32 Cr. as of June 2024, reflecting revenue visibility over the near to medium term. Acuité believes that the firm will continue to benefit from the extensive experience of the partners in the railway industry coupled with its long track record of operations over the medium term.

Healthy Financial Risk Profile

The firm's financial risk profile is marked by healthy net worth, comfortable gearing and moderate debt protection metrics. The tangible net worth of the firm stood at Rs. 74.53 Cr. as on March 31st, 2024(Prov.), against Rs. 71.57 Cr. as on March 31st, 2023, due to infusion of capital by the partners and accretion of reserves. The gearing of the firm stood moderate at 0.16 times as on March 31st, 2024(Prov.). The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.29 times as on March 31st, 2024(Prov.). The moderate debt protection metrics of the firm is marked by Interest Coverage Ratio at 1.34 times as on March 31st, 2024(Prov), and Debt Service Coverage Ratio at 1.28 times as on March 31st, 2024(Prov.). The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.15 times as on March 31st, 2024(Prov.). Going ahead, the company will be availing enhancement in its fund based working capital limits in the near term.

Acuité believes that the financial risk profile of the firm will remain healthy backed by steady accretion to reserves thereby improving its networth and moderate debt protection metrics in the absence of any debt funded capex plans over the medium term.

Weaknesses

Elevated Working Capital Requirements

The firm's working capital operations are intensive and further intensified marked by elevated GCA days of 413 days in FY2024 (Prov.) against 266 days in FY2023. This increase is largely driven by elevated inventory, increased debtor days and high other current assets mainly comprising of advances to suppliers. The inventory holding period extended to 148 days on 31st March 2024 (Prov) as compared to 109 days on 31st March 2023. The debtor days have increased significantly to 99 days in FY2024(Prov) compared to 18 days in FY2023 on account of billing done during the year end. However, the fund-based limit utilization stood moderate at ~54.49 per cent over the last eight months ended May 2024. The firm also relies on its suppliers and creditors to support the working capital with creditor days at 64 days as of March 31, 2024 (Prov).

Acuité believes that the ability of the firm to manage its working capital operations efficiently will remain a key rating sensitivity.

Tender based nature of operations and competitive industry

The infrastructural contracting sector is highly competitive, with numerous mid to large-sized players. The firm encounters significant competition, as tenders are awarded based on the lowest bid. However, this risk is somewhat mitigated by the management's extensive experience of over three decades in the industry.

Rating Sensitivities

- Elongation of Working capital management cycle leading to moderation in the financial risk profile and liquidity position.
- Scaling up of operations while maintaining its profitability margins.

Liquidity Position

Adequate

The firm's liquidity is adequate marked by steady net cash accruals of Rs.1.78 Cr. as on March 31st, 2024(Prov), as against maturing repayment obligation of Rs. 0.22 Cr. during the same year. The current ratio stood comfortable at 4.52 times as on March 31, 2024 (Prov). The cash and bank balance stood at Rs.10.06 Cr. as on March 31, 2024 (Prov). The firm's working capital operations stood intensive with GCA days of 413 in FY2024 (Prov), however, the reliance on working capital limit utilisation stood moderate at 54.49% utilization over the last eight months ending May 2024. Going ahead the firm is expected to generate sufficient cash accruals in the range of Rs. 3.44 Cr -Rs.3.83Cr against its maturing repayment obligations in the range of Rs. 0.22Cr- Rs. 0.67 Cr. over the medium term.

Acuité believes liquidity profile will remain adequate in medium term backed by healthy net cash accrual and moderately utilised working capital limits.

Outlook: Stable

Acuité believes that 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 their profit margins and maintaining a comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' if there is a steep decline in the firm's operating margins or in case of a significant deterioration in the firm's capital structure on account of larger than envisaged working capital borrowings and further elongation in working capital management.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	77.83	103.38
PAT	Rs. Cr.	1.69	2.17
PAT Margin	(%)	2.17	2.10
Total Debt/Tangible Net Worth	Times	0.16	0.16
PBDIT/Interest	Times	1.34	1.41

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Oct 2023	Cash Credit	Long Term	10.00	ACUITE BB+ Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	28.00	ACUITE A4+ (Reaffirmed)
25 Jul 2022	Cash Credit	Long Term	10.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Bank Guarantee (BLR)	Short Term	28.00	ACUITE A4+ (Downgraded from ACUITE A3)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	28.00	ACUITE A4+ Reaffirmed
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A4+ Assigned
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BB+ Stable Assigned
Union Bank of India	Not avl. / Not appl.	Covid Emergency Line.	20 Jul 2020	Not avl. / Not appl.	20 Jul 2026	Simple	2.00	ACUITE BB+ Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BB+ Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Kirti Berlia Associate Analyst-Rating Operations Tel: 022-49294065 kirti.berlia@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, 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 Kanjurmarg, Mumbai.

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