

## Press Release

### Technocraft Associates (TA)

05 February 2018

### Rating Assigned



<b>Total Bank Facility Rated *</b>	Rs. 12.00 cr
<b>Long Term Rating</b>	SMERA BB/ Outlook:Stable
<b>Short Term Rating</b>	SMERA A4+

*\* Refer Annexure for details*

### Rating Rationale

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (Read as **SMERA A four plus**) on the Rs. 12.00 crore bank facilities of TECHNOCRAFT ASSOCIATES. The outlook is '**Stable**'.

The Mumbai-based Technocraft Associates (TA), a proprietorship firm established by Mr Vishnu Banwani in 2006 is engaged in the trading of uniforms, textiles, solar equipment's and other merchandise. The firm largely caters to the Municipal Corporation of Greater Mumbai (MCGM), Sunil Industries Ltd, Savan Electronics among others.

### Key rating drivers

#### Strengths

#### **Experienced management, long track record of operations**

TA has been trading in textiles, textile made-ups, uniforms among others since 2006. The proprietor, Mr. Vishnu Banwani has more than two decades of experience in the textile industry. SMERA believes that, TA will benefit from its experienced management and long track record of operations.

#### **Healthy financial risk profile**

The healthy financial risk profile is marked by net worth of Rs.7.69 crore as on 31 March, 2017 as against Rs.3.55 crore as on 31 March, 2016. Further, TA was debt free as on March 31, 2017. The ICR (Interest Coverage Ratio) has been comfortable and stood at 11.14 times for FY2017 and NCA (Net Cash Accruals) at Rs. 2.27 crore.

## Healthy order book

For nine months ended FY2018, TA generated revenue of Rs.39.64 crore. The company has order book of Rs. 35.00 crore from MCGM for FY2019.

## Weaknesses

### Tender-based business

The firm's operations are tender based. It caters to government and semi government bodies. The revenue growth depends on the ability of the firm to successfully bid for tenders. Further, the firm is exposed to intense competition in the industry.

### Moderate scale of operations

Despite operations commencing in 2006, the revenues have been moderate. Revenues stood at Rs.23.14 crore for FY2017 as against Rs. 53.94 crore for FY2016 and Rs. 35.39 crore for FY2015. During FY2017, decline in revenues mainly on account of decline in tender based orders.

### Working capital intensive operations

TA's operations are working capital intensive marked by GCA (Gross Current Assets) of 121 days in FY2017 against 78 days in FY2016. This was due to high debtor days of 94 for FY2017. The creditor days stood at 36 in FY2017.

## Analytical approach:

SMERA has considered the standalone business and financial risk profiles of TA to arrive at the rating.

## Outlook – Stable

SMERA believes that TA will maintain a stable outlook on account of its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while maintaining its operating profitability. Conversely, the outlook may be revised to 'Negative' if the company reports lower than expected revenues or deterioration of the financial risk profile owing to more than envisaged working capital requirements.

## About the Rated Entity-Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	23.14	53.94	35.39
EBITDA	Rs. Cr.	2.63	7.26	5.44
PAT	Rs. Cr.	2.43	7.21	5.61
EBITDA Margin	(%)	11.38	13.46	15.38
PAT Margin	(%)	10.49	13.36	15.84
ROCE	(%)	39.55	111.72	162.20
Total Debt/Tangible Net Worth	Times	0.00	0.66	0.00
PBDIT/Interest	Times	11.14	75.03	26.89
Total Debt/PBDIT	Times	0.00	0.32	0.00
Gross Current Assets (Days)	Days	121	78	32

### Any other information:

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

### Note on complexity levels of the rated instrument

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

**Status of non-cooperation with previous CRA (if applicable):** None

### Rating History (Upto last three years)

Not Applicable

### \*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	3.50	SMERA BB/Stable
Bank Guarantee	NA	NA	NA	8.50	SMERA A4+

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## ABOUT SMERA

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