

Press Release

Technocraft Associates

August 07, 2018

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs.12.50 Cr. (Enhanced from Rs.12.00)
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.12.00 crore bank facilities of Technocraft Associates. The outlook is '**Stable**'.

Further, Acuite has assigned short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.0.50 crore bank facilities of Technocraft Associates.

The reaffirmation of rating reflects sustenance of its revenues in FY2018, though declined significantly in FY2017 vis-à-vis FY2016. The rating also factors in healthy gearing (debt-to-equity) and debt protection metrics, though networth is comfortable. The rating is constrained by moderate working capital intensive operations and modest revenues which are volatile.

Technocraft associates (TA) is a Mumbai based proprietorship firm which was established in the year 2006 by Mr. Vishnu Banwani. The firm is into trading of uniforms, textiles, textile made ups, solar equipment and other merchandise products.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The proprietor Mr. Vishnu Banwani has more than two decade experience in the industry. The firm supplies its products to Municipal Corporations of Greater Mumbai (MCGM), Integrated Child Development Services (ICDS), Savan Electronics among others. Acuite believes that, TA has benefited from its experienced management and long track record of operations. The same is also reflected in healthy operating margin of 11-13 percent from the last three years through FY2018. Revenues though declined significantly in FY2017 to Rs.23.14 crores from Rs.53.94 crore in FY2016, they have improved significantly to about Rs.41.52 crore in FY2018, though not to the historical highs. Acuite believes that the business risk profile is expected to improve with addition of new clients and repeat business from its existing clientele.

- **Healthy financial risk profile**

TA's financial risk profile is healthy as on 31 March, 2018. Net worth is comfortable at Rs.8.81 crore and TA was debt free as on March 31, 2018. ICR (Interest Coverage Ratio) was healthy and stood at 20.26 times in FY2018 against 11.14 times in FY2017. Total outside liabilities to total net worth is comfortable at 1.38 times as on 31 March, 2018 against 0.27 times as on 31 March, 2017. Acuite believes that financial risk profile of the firm is expected to be healthy on account of modest accretions to reserves and in the absence of major debt funded capital expenditure.

Weaknesses

- **Modest scale of operations and tender based business**

Though the operations commenced in 2006, the revenues of the firm are modest and volatile.

Revenues stood at Rs.41.52 crore for FY 2017-18 as against Rs.23.14 crores for FY2017 and Rs.53.94 crore in FY2016. Further, during FY2018, around 82 percent of the revenues have come from the MCGM, exposing to client concentration risk. Ability of the firm to increase the scale of operations in both revenue and customer wise would be the key rating sensitivity in the medium term.

• Working capital intensive operations

TA's operations are working capital intensive marked by GCA (Gross Current Assets) of 160 days in FY2017 against 121 days in FY2017. This is mainly on account of high debtors and inventory of 76 days and 82 days respectively in FY2018. High debtor days are on account of extended credit terms with MCGM for around 120-150 days. Inventory days are high on account of delayed acceptance of order by the ICDS Jaipur in the month of March, 2018. Acuite believes that, operations are expected to be working capital intensive on account of extended credit terms with the customers.

• Competitive and fragmented industry and tender based business

TA operates in a highly fragmented industry with limited entry barriers wherein the presence of a large number of players in the sector limits the bargaining power with customers. . Further, the firm mainly caters to the government and semi government bodies which are tender based and the revenue growth depends on its ability to successfully bid for tenders.

Analytical Approach

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

Outlook: Stable

Acuite 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 firm 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	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	41.52	23.14	53.94
EBITDA	Rs. Cr.	4.70	2.63	7.26
PAT	Rs. Cr.	4.77	2.43	7.21
EBITDA Margin	(%)	11.32	11.38	13.46
PAT Margin	(%)	10.77	10.49	13.36
ROCE	(%)	57.08	39.35	111.72
Total Debt/Tangible Net Worth	Times	0.00	0.00	0.00
PBDIT/Interest	Times	20.26	11.14	75.03
Total Debt/PBDIT	Times	0.00	0.00	0.32
Gross Current Assets (Days)	Days	160	121	78

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

None

Any other information

"Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups"

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.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
05 Feb, 2018	Cash Credit	Long Term	3.50	ACUITE BB/Stable (Assigned)
	Bank Guarantee	Short Term	8.50	ACUITE 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	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+ (Assigned)

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About Acuite Ratings & Research:

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