

Press Release
Technocraft Associates

March 28, 2022



Rating Downgraded & Withdrawn and Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.50	ACUITE BB Downgraded & Withdrawn	-
Bank Loan Ratings	9.00	-	ACUITE A4+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	12.50	-	-

* Refer Annexure for details

Rating Rationale

Acuite has downgraded & withdrawn the long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and reaffirmed & withdrawn the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.12.50 crore bank facilities of Technocraft Associates (TA).

The rating is being withdrawn on account of the request received from the firm and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

About the Firm

Mumbai – based, TA was established as a proprietorship firm in 2006 by Mr. Vishnu Banwani. The firm is engaged in trading of uniforms, textiles, textile made ups, solar equipment and other merchandise products. The firm has also diversified into civil works for which it has a dedicated team in place. The firm supplies its products to Institutional, Semi-government and Government organizations such as Municipal Corporations of Greater Mumbai (MCGM), NSIC (National Small Industries Corporation) Telangana, MB&OCW (Maharashtra Buildings & Other Construction Workers) Welfare Board, among others.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of TA to arrive at the rating.

Key Rating Drivers

Strengths

>Established track record of operations and experienced management

The firm, established in 2006, has an operational track record of over a decade in the trading industry. The proprietor, Mr. Vishnu Banwani has more than two decades of experience in the similar line of business. The extensive experience has enabled the firm to establish healthy relationships with customers and suppliers.

Acuite believes that the established track record of operations, proprietor's extensive experience and healthy relationship with customers and suppliers is expected to support its

business risk profile over the medium term.

>Healthy financial risk profile

Financial risk profile of TA is healthy marked by comfortable net worth, moderate total outside liabilities to total net worth (TOL/TNW), and comfortable debt protection metrics. Tangible net worth of the firm stood comfortable at Rs.17.15 crore as on March 31, 2021) against Rs.15.56 crore as on March 31, 2020. TOL/TNW stood at 0.23 times as on March 31, 2021 against 0.67 times as on March 31, 2020. The firm has no outstanding debt as on March 31, 2021. Debt protection metrics of interest coverage ratio and DSCR stood comfortable at 24.04 times in FY2021 against 15.46 times in FY2020.

Acuité believes that the financial risk profile of the firm is expected to remain comfortable on account of comfortable net worth backed by healthy cash accruals vis-à-vis nil debt repayment obligations and comfortable debt protection metrics.

Weaknesses

>Working capital intensive operations

TA's working capital operations are intensive marked by Gross Current Asset days (GCA) of 203 days in FY2021 against 128 days in FY2020. The inventory days stood at 3 days in FY2021 against 20 days in FY2020. The firm purchases materials based on confirmed orders only. The debtors' days stood at 144 days in FY2021 against 100 days in FY2020. The credit period given to customers is around 90-120 days. However, the debtors' days increased in FY2021 since there was a delay in receiving payment from the customers due to the impact of Covid-19. The creditors' days stood at 57 days in FY2021 against 71 days in FY2020. The firm makes advance payments to their suppliers and sometimes they enjoy a credit period of 30 days. However, the creditors' days increased in FY2021 due to a back-to-back payment mechanism followed by the management. Average utilization of the Cash Credit facility for the last 6 months is less than 30% and average utilization of the Bank Guarantee facility for the last 6 months is 70%.

Acuité believes that the working capital operations are expected to remain on similar lines with respect to the receivable cycle; which will remain a key rating sensitivity factor.

>Deterioration in revenues in FY2021 & FY2022

The turnover of TA stood at Rs.32.95 crore in FY2021 against 70.39 crore in FY2020. The turnover declined majorly due to the impact of Covid-19. The firm has already achieved turnover of around Rs.15 crore for 11MFY2022 and is expecting to achieve around Rs.20 crore in FY2022. The firm expects low revenues for FY2022 due to the impact of covid-19 since the firm faced problems for 1.5 years.

>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.

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material covenants

None

Liquidity Position: Adequate

TA has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The firm generated cash accruals in the range of Rs.3.75

crore – Rs.7.38 crore during the last three years through FY2019-21 against nil repayment obligations during the same period. Unencumbered cash and bank balances stood at Rs.3.85 crore as on March 31, 2021 with a current ratio of 5.02 times in the same period. Liquid investments stood at Rs.1.63 crore as on March 31, 2021. The Company has not availed any covid loans / covid moratorium. The firm has no outstanding debt as on March 31, 2021. Average utilization of the Cash Credit facility for the last 6 months is less than 30% and average utilization of the Bank Guarantee facility for the last 6 months is 70%. Acuite believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

Outlook

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	32.95	70.39
PAT	Rs. Cr.	3.66	7.28
PAT Margin	(%)	11.12	10.34
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	24.04	15.46

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>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Jan 2021	Cash Credit	Long Term	3.50	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Bank Guarantee	Short Term	9.00	ACUITE A4+ (Reaffirmed)
16 Oct 2019	Bank Guarantee	Short Term	9.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	3.50	ACUITE BB Stable (Reaffirmed)
07 Aug 2018	Cash Credit	Long Term	3.50	ACUITE BB Stable (Reaffirmed)
	Bank Guarantee	Short Term	8.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Assigned)
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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A4+ Reaffirmed & Withdrawn
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB Downgraded & Withdrawn (from ACUITE BB+)

Note: Letter of Credit (Inland) is sublimit to Bank Guarantee limit to the extent of Rs.6.00 Cr.

Contacts

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About Acuité Ratings & Research

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