

June 04, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.00	SMERA B+/Stable (Assigned)
Bank Guarantee	3.00	SMERA A4 (Assigned)

SMERA has assigned a rating of '**SMERA B+**' (**read as SMERA single B plus**) to the Rs.3.00 crore long-term (fund-based) bank facility and '**SMERA A4**' (**read as SMERA A four**) to the Rs.3.00 crore short-term (non-fund based) bank facility of Technocompact Builders (Techno). The outlook is '**Stable**'. The ratings are constrained by the firm's high leverage, working capital-intensive business and small-scale operations. The ratings note that the firm faces intense competition. However, the ratings derive comfort from the firm's experienced management and established relations with clients. The ratings are also supported by the firm's healthy financial risk profile.

Techno, established in 1995, is an Assam-based proprietorship firm engaged in undertaking civil construction, telecom and electrical projects awarded by Indian Railways. Techno's leverage (debt-to-capital ratio) is high at 2.12 times as on March 31, 2014 (1.77 times as on March 31, 2013). The firm's total debt of Rs.2.74 crore (as on March 31, 2014) includes subordinated unsecured loans of Rs.0.10 crore from related parties. SMERA has treated such unsecured loans as quasi-equity.

Techno's operations are working capital-intensive, with gross current assets (GCA) of 120–130 days. The firm's bank limit utilisation was high during the past six months. Techno has small-scale operations marked by revenue of Rs.10.22 crore in FY2013–14 (refers to financial year, April 01 to March 31). The firm faces intense competition from several players in the infrastructure industry.

Techno benefits from its experienced management. Mr. Zulfiqar Ali, proprietor of Techno, has around two decades of experience in the civil construction, telecom and electrical projects business. The firm also benefits from its established relations with clients. Techno's healthy financial risk profile is marked by interest coverage ratio of 2.96 times and operating profit margin of 8.27 per cent in FY2013–14.

Outlook: Stable

SMERA believes Techno will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers strong growth in earnings while achieving a well-diversified clientele and maintaining healthy financial risk profile. The outlook may be revised to 'Negative' in case of deterioration in the firm's financial profile, or in case of stretch in the firm's working capital cycle.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

About the firm

Techno, established in 1995, is an Assam -based proprietorship firm promoted by Mr. Zulfiqar Ali. Techno undertakes civil construction, telecom and electrical projects awarded by Indian Railways.

For FY2013-14, Techno reported profit after tax (PAT) of Rs.0.36 crore on operating income of Rs.10.22 crore, as compared with PAT of Rs.0.23 crore on operating income of Rs.5.96 crore in the previous year. The firm's net worth stood at Rs.1.25 crore (including unsecured loans of Rs.0.10 crore) as on March 31, 2014, as compared with Rs.1.13 crore (including unsecured loans of Rs.0.05 crore) a year earlier.

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