Techno Designs

May 31, 2013

Facilities	Amount (Rs. crores)	Rating
Cash Credit Sub Limit: EPC	3.00 (0.20)	**SMERA BB/ Stable/ Assigned**
Term Loan	1.92	**SMERA BB/ Stable/ Assigned**
Export Packing Credit Sub Limit: FBD Limit	3.50 (3.50)	**SMERA A4+/ Assigned**
Bank Guarantee	1.25	**SMERA A4+/ Assigned**
Inland/Foreign Letter of Credit	0.10	**SMERA A4+/ Assigned**

SMERA has assigned a rating of **'SMERA BB' (read as SMERA Double B)** to the Rs.4.92 crores long term facilities (fund based) and **'SMERA A4+' (read as SMERA A four plus)** to the Rs.4.85 crores short term facilities (non-fund based) of Techno Designs (TD). The outlook is **'Stable'**. The ratings derive support from TD's established presence in the capital goods industry, experienced management with technical expertise, diversified customer base across geographies and a strong capability to execute projects on time. The ratings are further supported by TD's healthy financial profile, marked by low gearing, good coverage indicators and moderate order book position. The ratings are, however, constrained by TD's small scale of operations, prevailing recessionary trend in the capital goods sector and uneven profit margins.

TD manufactures an extensive range of capital goods for minerals, paints, resins, chemicals and pharmaceutical companies. Despite its existence since 1992, TD's operations have remained small in size. TD's revenues and profit margins are subject to fluctuations on account of inconsistency in the frequency and value of orders received. The slowdown in the capital goods industry could also directly impact the revenues of the firm.

TD's net profit (PAT) margins have declined from 9.86 per cent in FY2011 to 6.20 per cent in FY2012 due to increase in input cost and its inability to pass on such increase to its customers in absence of price escalation clause in its contracts.

TD has booked revenues of Rs.19.07 crores and PAT margin of 7.89 per cent as per its provisional financials for FY2013. The firm has a moderate order book position of Rs.7.54 crores as on May 14, 2013. TD has favourable credit terms with its customers, which reduces its dependence on its cash credit facility and enables it to make quick payments to its suppliers. With low dependence on debt funds and no significant debt funded expansion plan on the horizon, financial profile of the firm is healthy. The total debt-to-equity ratio of the firm stands at 0.82 times as on March 31, 2012 and the interest coverage ratio is at a comfortable level of 5.72 times in FY2012.

Outlook: Stable

TD has a 'Stable' outlook. SMERA believes that TD will continue to maintain its financial risk profile at a comfortable level on account of a strong customer profile and absence of any significant debt funded expansion plan in the near term. However, the firm's ability to scale up its operations on the back of repeat orders while maintaining profit margins and retaining a comfortable liquidity position remains the key rating sensitivity.

About the Firm

TD was established in 1992 by Mr. Kishor Bajaj, an engineer with relevant experience in the capital goods industry. TD is engaged in manufacturing of an extensive range of capital goods such as mills, rotary vacuum dryers, industrial dissolvers, plough blender-reactors and high speed dissolvers for minerals, paints, resins, chemicals and pharmaceutical companies. TD has its administrative office and workshop at Anand, Gujarat. Besides India, TD has commissioned and executed project in the United Kingdom as well.

For FY2012, TD reported net profit of Rs.1.10 crores on total income of Rs.17.66 crores as compared with net profit of Rs.0.76 crores on a total income of Rs.7.75 crores for FY2011. Further, the firm has earned revenues of Rs.19.07 crores and profit before tax of Rs.1.53 crores in FY2013 (provisional).

Contact List

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