



SMERA RATINGS LIMITED

Teknow Overseas Private Limited (TOPL)

*Rating
Rationale*

March 18, 2016

Facilities	Amount (Rs. Crore)	Ratings
Overdraft	5.15	SMERA B/Stable (Upgraded from SMERA B-/Stable)
Bank Guarantee	8.85	SMERA A4 (Reaffirmed)

SMERA has upgraded the long term rating on the Rs.5.15 crore bank facility to '**SMERA B**' (read as **SMERA B**) from 'SMERA B-' (read as SMERA B minus) and reaffirmed the short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.8.85 crore bank facility of Teknow Overseas Private Limited (TOPL). The outlook is '**Stable**'. The upgrade is in view of healthy order book position which provides revenue visibility and consequent expected improvement in TOPL's liquidity and financial risk profile. The ratings continue to draw comfort from moderate financial risk profile. However, the ratings remain constrained by the working capital intensive operations and exposure to intense competition in the civil construction industry.

Update

TOPL's operating income marginally declined to Rs.11.43 crore in FY2014-15 (refers to financial year, April 01 to March 31) from Rs.13.73 crore in FY2013-14. The operating margins increased to 16.55 percent in FY2014-15 from 7.22 percent in FY2013-14. TOPL has moderate financial risk profile marked by gearing of 0.95 times as on March 31, 2015 compared to 1.10 times in FY2013-14 and moderate debt protection metrics with interest coverage ratio at 2.13 times for FY2014-15.

Rating Sensitivity Factors

- Scaling up of operations while maintaining profit margins
- Improvement in financial risk profile

Outlook –Stable

SMERA believes that the company will continue to benefit over the medium term from its promoters' extensive industry experience and healthy order book position. The outlook may be revised to 'Positive' in case of sustained and substantial increase in scale of operations and efficient working capital management. Conversely, the outlook may be revised to 'Negative' if the company registers lower than expected growth in revenues and profitability or if the financial risk profile further deteriorates.

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About the Company

TOPL, established in 1977, is a New Delhi-based company promoted by Mr. Shekhar Gupta and Mrs. Samita Gupta. The company is engaged in the civil construction business.

For FY2014–15 (refers to financial year, April 01 to March 31), TOPL registered net profit of Rs.0.00 crore on net sales of Rs.11.43 crore as compared with net profit of Rs.0.01 crore on net sales of Rs.13.73 crore in the previous year.

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