

## Press Release

### Technology Frontiers (India) Private Limited

May 04, 2017

#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 35.00 Cr.
<b>Long Term Rating</b>	SMERA BB / Outlook: Stable
<b>Short Term Rating</b>	SMERA A4+

\* Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 35.00 crore bank facilities of Technology Frontiers (India) Private Limited. The outlook is '**Stable**'.

The Chennai-based Technology Frontiers India Private Limited (TFIPL) was incorporated in 1996. The company provides digital display solutions (LED Display) for major events in sports, media and entertainment. TFIPL has seven wholly owned subsidiaries. These are Techfront International FZE, Techfront Europe KFT, Techfront Australia Pty Ltd, Techfront America Inc, Techfront International Event Management LLC, Techfront UK Limited, Techfront Global Solutions Management GmbH. The step down subsidiaries are Techfront Oceanic Limited, Screencorp Pty Ltd. The companies are spread across Asia, America, Africa and Europe. The two associate companies are Megaview South Africa Pty Limited and ITW Consulting Pvt Ltd. The group generated over 60 per cent revenue from Asia and Europe and 37 per cent revenue from Australia in FY2016.

#### Key Rating Drivers

##### Strengths

- **Established track record of operations and experienced management**

The Techfront Group has been in the business of digital display solutions since 1996. The promoter Mr. Manapakkam Srinivasan Muralidharan (Chairman and Managing Director) possesses more than two decades of experience in the said line of business. Further, the second line of management is also qualified and well experienced.

- **Reputed clientele**

The group caters to reputed clientele such as Board of Control for Cricket in India (BCCI), International Cricket Council (ICC) among others. The major events are IPL, ISL, Pro Kabbadi league, TNPL, EPL and all Cricket Board across the globe to name a few.

- **Growth in revenues and moderate order book position**

The revenue has been healthy marked by CAGR of 18.54 percent for the period FY 2014 to FY2016. The group registered increase in revenue to Rs.295.31 cr in FY 2016 from Rs.180.02 cr in FY 2015. Further, the company achieved revenue of Rs.210.25 cr from July 2016 to February 2017. The group has unexecuted orders of Rs. 191.00 cr as on February 2017.

- **Comfortable profitability margins**

The EBITDA margins improved to 34.58 percent in FY2016 from 25.66 percent in FY 2015. Further, the PAT (Profit after Tax) margin improved to 14.17 percent in FY2016 from 5.49 percent in FY2015. This is after reversing the excess depreciation charged over the previous year due to change in the depreciation method from WDV to SLM in FY2015. The RoCE stood at 19.08 percent for FY2016.

**• Healthy financial risk profile**

The group has a healthy financial risk profile marked by net worth of Rs.418.40 cr as on 30 June 2016 compared to Rs.284.22 cr as on 30 June 2015. With healthy net worth the gearing (debt to equity) stood comfortable at 0.09 times as on 30 June 2016 and 0.06 times as on 30 June 2015. The Debt protection metrics are healthy as interest coverage ratio (ICR) stood at 17.01 times in FY2016 against 13.82 times in FY2015. DSCR stood healthy at 7.71 times for FY2016 compared to 4.62 times for FY2015. The Net cash accrual stands healthy at Rs.71.59 cr for FY2016 against CPLTD of Rs.3.08 crore. The TOL/TNW levels are comfortable at 0.39 times in FY2015.

**Weaknesses****• Working capital intensive operations and stretched liquidity**

The operations are working capital intensive marked by GCA of 161 days as on June 30, 2016, due to the high debtor days (including Stretch receivable). As on June 30, 2016, debtors outstanding for more than 6 months were ~37 percent of total debtor's outstanding (Rs. 89.26 cr). The working capital cycle is negative as on June 30, 2016 due to elongated creditor days of 124 as on 30 June 2016. The current ratio stood comfortable at 1.04 times for FY2016. The average six months utilisation of working capital facility ended February 2017 stood at ~90.47 percent. However, in select months the utilisations get stretched.

**Analytical Approach**

SMERA has considered the consolidated financials of TFIPL, parent/holding company along with its seven subsidiaries, two step down subsidiaries and two associate companies across Asia, America, Africa and Europe on account of significant business synergies.

**Outlook: Stable**

SMERA believes that the outlook on TFIPL will remain 'Stable' over the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case of further improvement in the scale of operations while maintaining profitability, improvement in the financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or liquidity profile. Any deterioration in the financial risk profile owing to higher than envisaged debt funded capex or working capital requirements may entail a 'Negative' outlook.

**About the Group**

The Technofront Group established in 1996, is a Tamil Nadu-based group engaged in digital display solutions (LED Display) for major events in sports, media and entertainment. The group comprises seven wholly owned subsidiaries and two associate companies - Megaview South Africa Pty Limited and ITW Consulting Pvt Ltd which are engaged in digital display solutions across the globe.

**About the Rated Entity - Key Financials**

On consolidated basis, the Technofront Group reported profit after tax (PAT) of Rs.41.83 cr on operating income of Rs.295.31 cr in FY2015-16 as compared with PAT of Rs.47.98 cr on operating income of Rs.180.02 cr in the previous year. The net worth stood at Rs.418.40 cr as on June 30, 2016 compared to Rs.284.22 cr in the previous year.

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

CRISIL Ratings in its press release dated October 23, 2015 had inter-alia mentioned the following - 'CRISIL has suspended its rating on the bank facilities of Technology Frontiers India Private Limited (TFIPL; part of the TechGroup). The suspension of ratings is on account of non-cooperation by TFIPL with CRISIL's efforts to undertake a review of the ratings outstanding. Despite repeated requests by CRISIL, TFIPL is yet to provide adequate information to enable CRISIL to assess TFIPL's ability to service its debt. The suspension reflects CRISIL's inability to maintain a valid rating in the absence of adequate information. CRISIL considers information availability risk as a key factor in its rating process as outlined in its criteria 'Information Availability - a key risk factor in credit ratings'

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Consolidation Of Companies - <https://www.smera.in/criteria-consolidation.htm>
- Complexity Level Of Financial Instruments - <https://www.smera.in/criteria-complexity-levels.htm>

### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Not Applicable

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	31-Mar-2017	2.00	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	30-Sep-2019	16.18	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4+
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.82	SMERA A4+

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### ABOUT SMERA

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