

Press Release

TECHNO COMMERCIAL CO PRIVATE LIMITED (TCPL)

28 December, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA BB- / Outlook:Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA double B minus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 10.00 crore bank facilities of TECHNO COMMERCIAL CO PRIVATE LIMITED. The outlook is '**Stable**'.

Techno Commercial Company Private Limited (TCPL) was established in 2009 by Mr. Shashi Prakash Jhajharia, Mrs. Seema Jhajharia and Mr. Shirish Jhajharia. The company is a distributor of cables and lights of Bajaj Electricals and Polycab. The registered office is located at Kolkata, West Bengal.

Key Rating Drivers

Strengths

- **Experienced management**

The Director, Mr. SP Jhajharia has extensive experience of more than three decades in the distribution of electrical products.

- **Moderate scale of operations**

The revenue of the company stood moderate at Rs. 31.47 crore in FY2017, an increase from Rs.24.10 crore in FY2016.

Weaknesses

- **Average financial risk profile**

The average financial risk profile is marked by moderate net worth of Rs.4.53 crore in FY2017 which increased from Rs.1.42 crore in FY2016, mainly on account of retention of current year profit and infusion in the form of unsecured loan of Rs.2.99 crore in FY2017. SMERA has treated the amount of unsecured loans as quasi equity as this amount is subordinated to bank debt. The Debt equity stood moderate at 1.34 times in FY2017, and declined from 2.59 times in FY2016. The Interest coverage ratio stood moderate at 1.30 times while debt service coverage ratio stood at 1.21 times in FY2017. The Net cash accruals to total debt stood low at 0.02 times in FY2017. Going forward, the ratios are expected to improve as the company has no debt funded capex plans.

- **Working capital intensive operations**

The operations are working capital intensive marked by gross current asset days of 193 during FY2017 compared to 114 days in FY2016. This necessitates working capital requirements as major funds gets blocked in debtor and inventory. The debtor and inventory days stood at 109 and 64 respectively in FY2017 and 84 and 51 days respectively in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of TCPL.

Outlook: Stable

SMERA believes that TCPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenue and net cash accruals while maintaining better profit margins and improves its working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability, or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	31.47	24.10	23.66
EBITDA	Rs. Cr.	0.87	0.59	0.42
PAT	Rs. Cr.	0.12	0.05	0.04
EBITDA Margin (%)	(%)	2.77	2.46	1.79
PAT Margin (%)	(%)	0.38	0.22	0.18
ROCE (%)	(%)	10.86	12.83	21.25
Total Debt/Tangible Net Worth	Times	1.34	2.59	1.84
PBDIT/Interest	Times	1.30	1.22	1.21
Total Debt/PBDIT	Times	6.93	6.14	5.92
Gross Current Assets (Days)	Days	193	114	69

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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	7.00	SMERA BB- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4

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ABOUT SMERA

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