

April 12, 2013

Facilities	Amount (Rs. Crores)	Rating
Cash Credit	1.50	SMERA B+/Stable/ Assigned
Letter of Credit	2.75	SMERA A4/Assigned
Bank Guarantee	0.75	SMERA A4/Assigned

SMERA has assigned a rating of '**SMERA B+** (read as **SMERA B plus**)' to Rs. 1.50 crores long term facilities and '**SMERA A4 (read as SMERA A Four)**' to Rs. 3.50 crores short term facilities of Techmart Systems Company Private Limited (TSCPL). The outlook is 'stable'. The rating of TSCPL is primarily constrained due to small scale of its operations, uneven revenue trend, highly competitive industry, moderate demand for its product due to availability of substitutes and departure of its key director. The rating, however, derives support from comfortable financial profile characterized by low gearing levels, healthy profit margins and low utilization of working capital limits, experienced and well qualified promoters and long standing association with RISO India Private Limited (RISO).

TSCPL operations are considered small in size despite being in this industry since 1993. Though the revenue grew at a slower rate of 1.7% CAGR between FY 2008 to FY 2012, Y-O-Y revenue declined by 10% between FY 2011 & FY 2012. This decline can be attributed to the moderate demand for its products amidst high competition from the substitutes available in the market. However, TSCPL has made its presence in the office automation industry by garnering reputed customers with high requirements for duplication of documents such as: Honorable Supreme Court, Indian High Courts across the country, Parliament House, Lok Sabha, Rajya Sabha, various government departments and universities and schools in India.

RISO Kagaku Corporation, Japan, the parent company of RISO, is the market leader in Printer & Duplicator segment. TSCPL is having long standing association with RISO as a stock in partner (stocking of spares and consumables), authorized distributor and service provider, which has assured consistent business to TSCPL. Post Kores India Private Limited's discontinuation of distributor relationship arrangement for RISO products, the management of TSCPL is planning to

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undertake aggressive marketing steps to achieve higher growth in FY 2014 by tapping the existing customers of Kores India Private Limited for sale of RISO products and its after sale services.

TSCPL has booked revenue of Rs. 6.41 crores during the period April to September, 2012 as per its sales tax returns. TSCPL has received order from Mumbai Municipal Corporation for Rs. 5.25 crores and this is to be executed over a period of four years. However one of the promoter director, who was a part of company's growth story since inception resigned in September, 2012 & this could affect TSCPL adversely in its business promotion area in the short term.

The payment terms extended by RISO are favorable to TSCPL thus leading to lower utilization of its cash credit facility. Timely collections from customer and lower dependence on debt for its operations enable the company to maintain a healthy financial profile.

### **Outlook: Stable**

TSCPL has 'Stable' outlook. SMERA believes that TSCPL will continue to maintain its financial risk profile at a comfortable level on the strength of its longstanding association with RISO India Private Limited and no significant debt funded expansion plan on the horizon. However, the company's ability to scale up its operations on the back of repeat orders, maintain its profit margins and retain comfortable liquidity position remains the key rating sensitivities.

### **About Techmart Systems Company Private Limited**

TSCPL was incorporated in the year 2007. In September, 2010 TSCPL took over the running business of Techmart Systems Company (Partnership Firm), which was established in the year 1993. TSCPL is stock in partner (stocking of spares and consumables), authorized distributor and service provider of RISO India Private Limited for products like digital duplicator, automatic master printer and allied products. TSCPL also provides after sales services and annual maintenance contracts. TSCPL is having Pan India presence with registered & administrative office located at Delhi and 11 sales offices located in tier I & tier II cities like Chandigarh, Jaipur, Lucknow, Noida, Ahmedabad, Mumbai, Kolkata, Ranchi & Trivandrum.

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Recently Neopost International Supply Limited (United Kingdom) has appointed TSCPL as authorized distributor for various mailroom equipments like Inkjet Digital Franking machine & allied mailroom products.

Mr. Harbanslal Sarin, Promoter Director, and his team have relevant experience in this industry.

For FY 2012, TSCPL reported a net profit of Rs. 0.39 crores on a total income of Rs. 15.63 crores as against a net profit of Rs. 0.29 crores on a total income of Rs. 17.40 crores for FY 2011.

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