

## Press Release

### Recon Technologies Private Limited (RTPL)

May 25, 2018

#### Rating Assigned



<b>Total Bank Facilities Rated</b>	Rs. 37.55 crore
<b>Long Term Rating</b>	SMERA BB/ Stable (Assigned)

*\*Refer annexure for details*

#### Rating Rationale

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs.37.55 crore bank facilities of Recon Technologies Private Limited. The outlook is '**Stable**'.

Recon Technologies Private Limited was incorporated in 1996. It is promoted and managed by Mr. Venu Vinod. The head office is located in Hyderabad and 3 warehouses in Nalgonda, Mahabubnagar and Kurnool (Andhra Pradesh).

The company is Original Equipment Manufacturer (OEM) for Mahindra & Mahindra Diesel Generator sets (Powerol Brand) with capacity of 5 kVA to 125 kVA and also, a trader of excavators. It is operating as a dealer of TATA HITACHI Construction Machinery Co. Pvt. Ltd. for sale of machines, spares and service. The company caters to the requirements of industries such as real estate, infrastructure, constructions to name a few and various supply chain market outlets.

#### Key rating drivers

##### **Strengths:**

##### **Long track record and experienced management**

RTPL was incorporated in 1996 by Mr. Venu Vinod (Managing Director) who has a vast experience of more than three decades with exposure to different fields like trading, manufacturing and real estate.

##### **Healthy operating income growth**

RTPL registered healthy operating income growth for the period under study of FY2015-18 on account of increased demand. The operating income stood at Rs.174.43 crore in FY2017 compared to Rs.96.68 crore in FY2016. As inform by the management, the company had booked revenues of around Rs.253 crore for FY2018.

##### **Comfortable financial risk profile**

The company has comfortable financial risk profile marked by net worth of Rs.13.15 crore as on 31 March, 2017 compared to Rs.11.10 crore as on 31 March, 2016. The gearing stood at 2.52 times as on 31 March, 2017 as against 2.46 times as on 31 March, 2016. The total debt of Rs.33.17 crore comprises of term loan of Rs.7.46 crore from banks, working capital funds of Rs.9.03 crore, channel financing of Rs.13.77 crore and unsecured loans from directors of Rs.2.91 crore as on 31 March, 2017. The Interest Coverage Ratio stood at 2.37 times in FY2017 as against 2.02 times in

FY2016. Debt Service Coverage Ratio stood at 1.79 times in FY2017 as against 1.77 times in the previous year. The net cash accruals stood at Rs.2.82 crore as against repayment obligation of Rs.1.92 crore in FY2017.

### Efficient working capital cycle

RTPL has efficient working capital cycle marked by Gross Current Assets (GCA) of 66 days as on 31 March, 2017 compared to 92 days as on 31 March, 2016. The comfortable GCA days are on account of inventory levels of 25 days and debtors of 29 days as on 31 March, 2017 compared to 45 days and 33 days as on 31 March, 2016 respectively.

### Weaknesses:

#### Competitive nature of the industry

RTPL operates in highly competitive industry where pressures from organized as well as unorganized players faced in the industry, especially in diesel generator segments. Consequently, the operating profit margin continued to remain modest at 3.71 percent in FY2017 compared to 5.08 percent in FY2016. SMERA believes that sustained improvement in profitability margins over the medium term shall be instrumental in improving the credit risk profile.

### Analytical approach:

SMERA has considered the standalone business and financial risk profiles of RTPL to arrive at the rating.

### Outlook: Stable

SMERA believes that RTPL will maintain a 'Stable' business risk profile over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profit margins, or in case of deterioration in the financial risk profile and liquidity position.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	174.43	96.68	33.50
EBITDA	Rs. Cr.	157.40	84.42	24.52
PAT	Rs. Cr.	2.03	1.31	0.38
EBITDA Margin	(%)	3.71	5.08	8.92
PAT Margin	(%)	1.16	1.36	1.14
ROCE	(%)	13.63	14.30	23.46
Total Debt/Tangible Net Worth	Times	2.52	2.46	1.32
PBDIT/Interest	Times	2.37	2.02	1.51
Total Debt/PBDIT	Times	4.99	5.39	4.12
Gross Current Assets (Days)	Days	66	92	176

### Any other information:

Not Applicable

### Applicable Criteria:

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing entities- <https://www.smera.in/criteria-services.htm>
- Trading entities-<https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

**Note on complexity levels of the rated instrument**
<https://www.smera.in/criteria-complexity-levels.htm>
**Status of non-cooperation with previous CRA (if applicable):** None

**Rating History for the 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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.50	SMERA BB/ Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.41	SMERA BB/ Stable (Assigned)
Channel Financing	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BB/ Stable (Assigned)
Channel Financing	Not Applicable	Not Applicable	Not Applicable	18.64	SMERA BB/ Stable (Assigned)

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## ABOUT SMERA

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