

Press Release

Technodrillers

June 26, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE BB**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 30.00 crore bank facilities of Technodrillers. The outlook is '**Stable**'.

Established in 1973, Technodriller is a Raipur based firm promoted by Mr Moolchand Jain and Mrs Veena Jain. The firm is a civil contractor engaged engineering, procurement and construction (EPC) of water treatment plant, overhead water tankers and laying of water pipeline for government and semi government bodies such as Public Health Engineering department and Water resource departments in Madhya Pradesh and Chhattisgarh.

Key Rating Drivers

Strengths

- **Established track record and experienced management**

Technodrillers has an established track record spanning over four decades in the construction activities related to water management. The firm is promoted by Mr. Jain (B.E. (Electrical)) who possesses extensive experience in planning and executing water distribution projects. The extensive industry experience of the promoters has enabled the firm to establish a healthy relationship with its suppliers and key principals.

- **Healthy financial risk profile**

The financial risk profile of Technodrillers is healthy, marked by comfortable capital structure and adequate debt protection metrics. The adjusted net worth of the firm stood at Rs 14.52 Crore as on 31st March, 2017 as against RS 11.82 Crore as on 31st March,2016. ACUITE has considered unsecured loan from directors/promoters of Rs 8.21 crore as quasi equity based on an undertaking received from the management to maintain the same over the medium term and the same is also subordinated to bank debt. The gearing has improved from 0.72 percent as on March 31st, 2016 to 0.57 percent as March 31, 2017. Going forward, the gearing is expected to remain comfortable with no planned capital expenditure and repayment of long term loans. The debt protection metrics is modest marked by interest coverage ratio of 1.95 percent in FY2017 as compared to 1.71 percent in FY2016. The net cash accrual to total debt (NCA/TD) stood at 0.30 percent as on March 31st ,2017 as against 0.16 percent as on March 31st ,2016.

Weaknesses

- **Modest scale of operations**

The firm exhibits a modest scale of operations despite long track record. The operating revenue stood at Rs 39.94 Crore in FY2018 (provisional) as against Rs 31.19 Crore in the previous year. More than 90% of revenue is derived executing tenders for government and semi government bodies, exposing the firm to high customer concentration risk. Any slowdown in quantum of tenders being floated, and the company's ability to win them would have a significant bearing on the firm's business profile. Although, the company has sizeable orders, revenue is expected to remain moderate over the medium term.

- **Working capital intensive nature of operations**

The operations of the firm are working capital intensive given the tender based nature of business. The GCA stood at 297 days in FY2017 as against 478 days mainly on account of high debtors of 78 days in FY2017 as against 97 days in the previous year.

Analytical Approach

ACUITE has considered the standalone financials and business risk profile of the company.

Outlook: Stable

Acuité believes that the firm will maintain a Stable outlook over the medium term owing to its promoter's extensive experience and healthy business profile. The outlook may be revised to 'Positive' in case of further improvement in operating revenue and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of weakening of the financial risk profile or elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	31.65	16.67	15.08
EBITDA	Rs. Cr.	5.02	3.09	3.12
PAT	Rs. Cr.	2.41	1.25	1.46
EBITDA Margin	(%)	15.85	18.51	20.70
PAT Margin	(%)	7.63	7.50	9.65
ROCE	(%)	23.47	16.23	34.61
Total Debt/Tangible Net Worth	Times	0.57	0.72	0.48
PBDIT/Interest	Times	1.95	1.71	1.87
Total Debt/PBDIT	Times	1.61	2.61	1.82
Gross Current Assets (Days)	Days	297	478	460

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	ACUITE BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE A4+

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About Acuité Ratings & Research:

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