

## Press Release

Technomark Engineers India Private Limited

D-U-N-S® Number: 67-764-5064



January 18, 2019

### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 14.00 Cr.
<b>Long Term Rating</b>	ACUITE B+ / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 14.00 crore bank facilities of Technomark Engineers India Private Limited. The outlook is '**Stable**'.

Technomark Engineers India Private Limited (TEIPL) is a Kerala based company initially established as a proprietorship firm in 1988 and converted to private Limited in 2008. It is engaged in executing turnkey engineering projects such as mechanical, electrical and plumbing services. TEIPL is a recognised Class A and licensed HT, EHT Contractor, in the states of Kerala, Karnataka and Andhra Pradesh.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the TEIPL to arrive at this rating.

### Key Rating Drivers

#### Strengths

- **Experienced management and long track record of operations**

TEIPL was started as a proprietorship firm in 1988 and converted to private Limited in 2008. It is promoted by Mr. R Sukumaran Nair, who possesses around four decades of experience in executing engineering projects. Earlier, he was associated with government electricity department in Saudi Arabia. Long standing operations and experience of the promoter in the industry has helped the company in associating with reputed clientele such as Asten Realtors Private Limited, St Gregorios Medical Mission Hospital, Gurudeva Institute of Medical Sciences, Al Abeer Educity, among others supported in securing repeat work orders. The same has reflected in stable operating income for the last three years through FY2018 at about Rs.19.0 crore, though modest and stagnant. TEIPL has got an unexecuted order book of Rs.35.00 crore in hand as on November 2018 for execution over the next 6-8 months. Also, TEIPL is expecting new orders of about Rs.40 crore in the next 6-12 months period. Acuité believes that, TEIPL is expected to benefit from the extensive industry experience of promoters and long track record of operations over the medium term.

- **Moderate financial risk profile**

Financial risk profile of the company is average marked by moderate gearing (debt to equity), total outside liabilities to total net worth (TOL/TNW) and moderate interest coverage ratio. Gearing is moderate at 1.07 times as on 31 March, 2018 as against 1.33 times as on 31 March, 2017. TOL/TNW is moderate at 1.61 times as on 31 March, 2018 as against 2.62 times as on 31 March, 2017. Net worth is modest at Rs.11.09 crore as on 31 March, 2018 (Include quasi equity of Rs.4.93 crore) as against Rs.7.41 crore as on 31 March, 2017 (Include quasi equity of Rs.1.65 crore). Of the total debt of Rs.11.85 crore as on 31 March, 2018, long term debt constitutes Rs.0.36 crore and short term debt of Rs.11.49 crore. Debt protection metrics of interest coverage ratio (ICR) is moderate at 1.63 times though the net cash accruals to total debt (NCA/TD) is below average at 0.05 times in FY2018. TEIPL reported modest cash accruals of Rs.0.61 crore in FY2018 against repayment obligations of Rs.0.12 crore over the medium term. Acuité believes that financial risk profile is expected to be at similar levels due to modest

accretions to reserves and in the absence of major debt funded capital expenditure.

### Weaknesses

- **Modest scale of operations**

Revenues of the company remained modest in the range of Rs.18.0-19.50 crore for the last three years through FY2018. Further, revenues are expected to be modest with moderate order book position of about Rs.35.0 crore which is to be executed in next 18 months period. As on November 2018, the company reported revenues of Rs.20.00 crore and is expecting revenues of about Rs.30.00 crore in FY2019. Acuité believes that operations continue to be at similar levels and modest in the industry over the medium term.

- **Working capital intensive operations**

Operations of the company are working capital intensive marked by high Gross Current Assets (GCA) at 477 days in FY2018 as against 441 days in FY2017. This is mainly on account of stretch in receivable days and high unbilled portion of revenues in other current assets. Receivable days stood high at 202 days in FY2018 as against 73 days in 2017. Unbilled billed revenues stood at Rs.13.28 crore in FY2018 as against Rs.17.51 crore in FY2017. The same has led to full utilisation of bank limits for the last six months through November FY2018 and stretching the financial flexibility. Acuité believes that operations are expected to be working capital intensive over the medium term.

### Outlook: Stable

Acuité believes that TEIPL will maintain a 'Stable' business risk profile over the medium term benefitting from its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the company registers healthy revenue growth and accruals. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or larger-than-expected debt-funded capital expenditure leading to deterioration in the financial risk profile and liquidity position.

### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	19.50	18.94	18.59
EBITDA	Rs. Cr.	2.25	2.13	1.98
PAT	Rs. Cr.	0.40	0.41	0.43
EBITDA Margin	(%)	11.51	11.25	10.63
PAT Margin	(%)	2.06	2.18	2.34
ROCE	(%)	10.59	11.43	22.16
Total Debt/Tangible Net Worth	Times	1.07	1.33	1.43
PBDIT/Interest	Times	1.63	1.75	1.66
Total Debt/PBDIT	Times	5.09	4.56	4.81
Gross Current Assets (Days)	Days	477	441	405

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

None

### Any other information

None

### 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
Overdraft	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+ / Stable

### Contacts

Analytical	Rating Desk
Srihari Adari Head - Corporate and Infrastructure Sector Ratings Tel: 040-40042327 <a href="mailto:srihari.adari@acuite.in">srihari.adari@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Naveen Papisetty Analyst - Rating Operations Tel: 040-40055480 <a href="mailto:naveen.papisetty@acuiteratings.in">naveen.papisetty@acuiteratings.in</a>	

### About Acuité Ratings & Research:

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