

Press Release

System Controls Technology Solutions Private Limited (SCTSPL)

22 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.10.00 Cr
Long Term Rating	SMERA BB+/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

*Refer Annexure for details

SMERA has assigned long-term rating of '**SMERA BB+**' (**read as SMERA double B plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four Plus**) on the Rs.10.00 crore bank facilities of System Controls Technology Solutions Private Limited (SCTSPL). The outlook is '**Stable**'.

SCTSPL, a Bangalore-based company was incorporated in 2011 by Mr. Francis Xavier and Mrs. Meena Francis. The company offers automation solutions such as motion control technologies, system solutions to defence, aeronautical, telecom and other sectors.

List of key rating drivers and their detailed description

Strength

Experienced management

SCTSPL was incorporated in 2011 by Mr. Francis Xavier (Managing Director) and Meena Francis. Mr. Xavier has experience of over three decades in the aforementioned technologies.

Reputed customer base

The company has established long term relations with Defence Research & Development Organisation Establishments, Indian Space Research Centres apart from public sector undertakings (Hindustan Aeronautics Limited, Bharat Electronics Limited, Bharat Earth Movers Limited etc) It also caters to private organisations such as L&T and TATA Power.

Healthy revenue growth

SCTSPL registered revenue of Rs. 21.12 crore in FY2017 compared to Rs.16.67 crore in FY2016. Further, in FY2018 (Provisional) the company reported revenue of Rs. 15.93 crore from April to December, 2017. The increase in revenue in FY2017 has been mainly due to increase in orders from public sector/government undertakings. The revenue of SCTSPL has grown at a CAGR of 21 percent from FY2014 to FY2017.

Average but improved financial risk profile

SCTSPL has an average financial risk profile marked by improvement in gearing and coverage indicators. The gearing (Debt-to Equity) stood at 1.53 times as on 31 March, 2017 as against 3.23 times as on 31 March, 2016. The ICR (Interest Coverage Ratio) stood at 2.37 times in FY2017 and 1.95 times in FY2016. Further, the tangible net worth stood at Rs.3.66 crore as on 31 March, 2017.

Weaknesses

Working capital intensive operations

The operations are working capital intensive marked by high GCA of 239 days in FY2017 as against 360 days in FY2016. The GCA days are mainly on account of high inventory days of 140 in FY2017 and 144 days in FY2016. SMERA believes that efficient working capital management will be crucial to the company to maintain a stable credit profile.

Highly fragmented and competitive industry

SCTSPL operates in a competitive and fragmented industrial automation and control market. The company faces intense competition from small and large players.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of System Controls Technology Solutions Private Limited to arrive at the rating.

Outlook – Stable

SMERA believes that SCTSPL will maintain a Stable outlook and continue to benefit over the medium term from its promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of sustainable improvement in the scale of operations, while it maintains its profitability and comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' if the revenue and profitability decline or if the financial risk profile weakens.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	21.12	16.67	15.32
EBITDA	Rs. Cr.	1.73	1.76	0.87
PAT	Rs. Cr.	0.69	0.48	0.09
EBITDA Margin	(%)	8.20	10.56	5.66
PAT Margin	(%)	3.28	2.90	0.57
ROCE	(%)	15.51	14.02	13.18
Total Debt/Tangible Net Worth	Times	1.53	3.23	3.36
PBDIT/Interest	Times	2.37	1.95	1.49
Total Debt/PBDIT	Times	2.94	5.18	9.07
Gross Current Assets (Days)	Days	239	360	307

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.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 (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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB+/ Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Disha N. Parmar, Rating Analyst, Tel: +91-22-6714 1120 Email: disha.parmar@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.