

## Press Release

SYSTEM CONTROLS TECHNOLOGY SOLUTIONS PRIVATE LIMITED

August 17, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.00	ACUITE BB-   Stable   Reaffirmed	-
Bank Loan Ratings	6.00	-	ACUITE A4   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	12.00	-	-

## Rating Rationale

Acuite has reaffirmed its long-term rating of 'ACUITE BB-' (read as ACUITE double B minus) and the short-term rating of 'ACUITE A4' (read as ACUITE A four) on the Rs. 12.00 Crore bank facilities of System Controls Technology Solutions Private Limited (SCTSPL). The outlook is 'Stable'.

### Rationale for the rating

The rating reaffirmation takes into account the experience management and long track record of operations of SCTSPL. The rating also factors in the stable turnover over the company, as its operating income stood at Rs.25.07 Cr in FY2023 (prov) as against Rs.25.79 Cr in FY2022. The rating is, however, is constrained due to below average financial risk profile and working capital intensive nature of operations and competitive nature of the industry.

### About the Company

SCTSPL, a Bangalore based private limited company was incorporated in 2011, and promoted by Mr. Francis Xavier and Mrs. Meena Francis. The company is engaged in providing Motion Control Technologies, Automation and System Solutions to Defence, Aeronautical, Aerospace, Telecom, Railways and Nuclear Energy Sectors.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of SCTSPL to arrive at this rating.

### Key Rating Drivers

#### Strengths

- Experienced management and reputed clientele

Mr. Francis Xavier has experience of over three decades in Motion Control Technologies, Automation and providing System Solutions to Defense, Aeronautical, Aerospace, Telecom, Railways and Energy Sectors. The company has well established relationships with Defense Research & Development Organizations, Indian Space Research Centre, Public Sector Undertakings such as HAL, BEL, BEML and reputed private organizations including L&T and TATA Power. Acuite believes that the company will benefit from experienced management which will help the company to maintain long standing relations with its customer and suppliers

## Weaknesses

- **Below – average financial risk profile**

SCTSPL's financial risk profile remained below-average marked by modest net worth, moderate gearing and debt protection metrics. The tangible net worth stood at Rs. 4.44 Cr as on March 31, 2023(Prov.) as against Rs. 3.50 Cr as on March 31, 2022. The gearing of the company has been improving over the last 2 years ending March 31, 2023(Prov.), it stood at 1.30 times as on March 31, 2023(Prov.) against 2.60 times as on March 31, 2022. Further, the interest coverage ratio stood at 2.34 times as on March 31, 2023(Prov.) as against 3.46 times as on March 31, 2022. The debt to EBITDA of the company stood at 2.50 times as on March 31, 2023 (Prov.) as against 2.55 times as on March 31, 2022. However, the TOL/TNW stood to 2.27 times as on March 31 2023(Prov.) as against 4.02 times as on March 31, 2022. Acuité believes that the financial risk profile is expected to remain at similar level in the medium term.

- **Working capital intensive operations**

The working capital management of the company is intensive marked by high Gross Current Asset (GCA) days of 181 days as on March 31, 2023(Prov.) as against 207 days as on March 31, 2022. Inventory days stood at 68 days as on March, 2023(Prov.) as against 76 days as on March 31, 2022. Subsequently, the payable period stood at 78 days as on March 31, 2023(Prov.) as against 52 days as on March 31, 2022 respectively. The debtor's day stood at 88 days as on March 31, 2023(Prov.) as against 130 days as on March 31, 2022. Further, the average bank limit utilization in the last twelve months ended June, 23 remained at ~77 percent for fund based and 85 percent for non-fund based. Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of high inventory and debtor days.

## Rating Sensitivities

- Higher-than-expected Improvement in the scale of operations and profitability as envisaged.
- Sustainable improvement in Leverage and Solvency position of the company.
- Sustainable improvement in Gross current assets (GCA) days.

## Material covenants

None

## Liquidity Position

### Adequate

SCTSPL's liquidity is adequate marked by its moderate net cash accruals to its maturing debt obligations. The company has reported cash accruals of Rs. 1.00 Cr. in FY2023 (Prov.) and expected to generate cash accruals in the range of Rs.1.41-2.00 Cr. against CPLTD of Rs.0.31-0.60 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs. 0.71 Cr as on March 31, 2023(Prov.). The current ratio of the company stood at 1.34 times as on March 31, 2023(Prov. ). Acuité believes that SCTSPL liquidity will remain sufficient over the medium term backed by repayment of its debt obligations and improving accruals.

## Outlook: Stable

Acuité believes that SCTSPL will continue to benefit over the medium term due to its experienced management and reputed clientele. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues while maintaining its working capital. Conversely, the outlook may be revised to 'Negative', in case the company continuously registers lower-than-expected growth in revenues and profitability or if the financial risk profile deteriorates due to higher than expected elongation in working capital leading to deterioration in liquidity

Other Factors affecting Rating  
None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	25.07	25.79
PAT	Rs. Cr.	0.94	1.75
PAT Margin	(%)	3.74	6.79
Total Debt/Tangible Net Worth	Times	1.30	2.60
PBDIT/Interest	Times	2.34	3.46

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Jun 2022	Working Capital Demand Loan	Long Term	1.00	ACUITE BB-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	6.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BB-   Stable (Reaffirmed)
11 Mar 2021	Cash Credit	Long Term	5.00	ACUITE BB-   Stable (Downgraded from ACUITE BB   Negative)
	Working Capital Demand Loan	Long Term	1.00	ACUITE BB-   Stable (Assigned)
	Bank Guarantee	Short Term	6.00	ACUITE A4 (Downgraded from ACUITE A4+)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A4   Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BB-   Stable   Reaffirmed
Canara Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	1.00	ACUITE BB-   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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