

Press Release

Cipsatec India Private Limited

July 27, 2018

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 40.75 Cr. (Enhanced from Rs.40.00 Cr.)
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.38.75 crore bank facilities and assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 2.00 crore bank facilities of Cipsatec India Private Limited. The outlook is '**Stable**'.

Cipsatec India Private Limited (CTIPL) was incorporated as CIPSA-RIC India Private Limited in 2005 and acquired the business from erstwhile Rao Insulating Company Limited (RIC) which started manufacturing of Printed Circuit Boards (PCB) in 1987. In December 2010, Technomec (Italy) acquired 10 per cent stake in CIPSA-RIC India Private Limited and subsequently the entity was renamed as CIPSA Tec India Private Limited. In FY2014, there was an equity stake sale by the company to M/s. Circuit Makers (S) Pte. Ltd, which currently it owns 85 percent share in the company. The manufacturing plant is at Bangalore with an installed capacity of 18,000 square meters per month.

Key Rating Drivers

Strengths

- **Established track record of operations and reputed clientele**

CTIPL is engaged in manufacturing of printed circuit boards since 1987. Over the years the company has been able to forge healthy relationships with its customers and suppliers.

CTIPL caters to reputed clients which include Larsen & Toubro, Pricol Limited among others. The company has been catering to them for more than a decade and has been able to get repeat orders from them.

- **Healthy financial risk profile**

The financial risk profile continues to be healthy marked by tangible net worth of Rs.46.60 crore as on 31 March, 2018 as against Rs.44.56 crore as on 31 March, 2017. The gearing stood at 0.36 times as on 31 March, 2018 as against 0.45 times as on 31 March, 2017. The debt of Rs. 16.55 crore mainly consists of term loans of Rs. 2.23 crore and working capital borrowings of Rs. 14.32 crore as on 31 March 2018. Interest Coverage Ratio (ICR) stood at 2.58 times for FY 2018 as against 2.55 times in FY2016. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.59 times as on 31 March, 2018 as against 0.66 times as on 31 March, 2017.

Weaknesses

- **Working capital intensive nature of operations**

CTIPL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 138 days in FY2018 compared to 171 days in FY2017. The GCA days are mainly dominated by high inventory days of 79 days in FY2018 compared to 126 days in FY2017. The average cash credit utilization for the past six months stood at ~90 percent. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• Debt funded capex plans

CTIPL is in a process of replacing its old machineries with the new ones to increase the quality and the efficiency. The total estimated cost is Rs.8.00 crore which will be funded from Rs.6.00 crore on loan and rest from internal accruals. The project is estimated to be completed by March 2019. Notwithstanding the benefits of the debt funded capex, timely completion and stabilization of the project while maintaining its financial risk profile will remain key rating sensitivities.

• Margins susceptible to forex fluctuations raw material prices and intense competition

CTIPL imports around 75 percent of its raw material requirements while exports constitute less than 10 percent of its sales making the company susceptible to foreign exchange fluctuations. Further the company's key raw materials include Copper and Aluminium prices of which are fluctuating. CTIPL faces intense competition from domestic players as well cheap Chinese imports thus making the company susceptible to unevenness in revenues and stress on margins.

Analytical Approach

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

Outlook: Stable

Acuite believes that CTIPL will maintain a stable outlook in the medium term. The outlook may be revised to Positive if the scale of operations increases substantially while also maintaining operating profitability. Conversely, the outlook may be revised to negative if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded or working capital requirements

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	95.97	74.60	74.13
EBITDA	Rs. Cr.	9.42	10.48	7.68
PAT	Rs. Cr.	2.04	1.82	2.85
EBITDA Margin	(%)	9.82	14.05	10.36
PAT Margin	(%)	2.12	2.44	3.85
ROCE	(%)	9.27	8.27	7.49
Total Debt/Tangible Net Worth	Times	0.36	0.45	0.51
PBDIT/Interest	Times	2.58	2.55	2.03
Total Debt/PBDIT	Times	1.87	2.50	2.77
Gross Current Assets (Days)	Days	138	171	213

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

CRISIL, vide its press release dated December 28, 2017 had denoted the rating of CIPSA TEC India Private Limited as 'CRISIL BB+/Stable/CRISIL A4+; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
09-May-17	Cash Credit	Long Term	10.00	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	5.00	ACUITE BBB-/Stable (Assigned)
	Letter of Credit	Short Term	13.50	ACUITE A3 (Assigned)
	Post Shipment Credit	Short Term	4.00	ACUITE A3 (Assigned)
	Bills Discounting	Short Term	7.50	ACUITE A3 (Assigned)

*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	14.00 (Enhanced from Rs.10.00 crore)	ACUITE BBB-/Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	3.75 (Revised from Rs.5.00 crore)	ACUITE BBB-/Stable (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	4.00 (Revised from Rs.7.50 crore)	ACUITE A3 (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	17.00 (Enhanced from Rs.13.50 crore)	ACUITE A3 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB-/Stable (Assigned)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*Erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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