

Press Release

CBS Technologies Private Limited

August 01, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.00 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 minus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 7.00 crore bank facilities of CBS Technologies Private Limited. The outlook is '**Stable**'.

The New Delhi based, CBS Technologies Private Limited (CTPL) was incorporated in 2003. The company promoted by Mr. Sanjay Agarwal is engaged in manufacturing of Oil filtration machines, bio-toilets and biomass reactors.

Key Rating Drivers

Strengths

- Experienced management and reputed clientele**

The Director, Mr. Sanjay Agarwal has an experience of over two decades in the manufacturing of oil filtration machinery and bio toilets. Owing to his extensive experience, the company has established healthy relationship with various government organisations like NTPC Limited, Oil and Natural Gas Corporation Limited, Indian Railways among others.

Weaknesses

- Average financial risk profile**

CTPL has average financial risk profile marked by low tangible net worth of Rs.2.81 crore as on 31 March, 2018 (Provisional) as against Rs.2.64 crore as on 31 March, 2017. The gearing stood at 1.38 times as on 31 March, 2018 (Provisional) as against 1.56 times as on 31 March, 2017. The debt of Rs.3.89 crore mainly consists of term loans of Rs.0.33 crore, unsecured loan of Rs.0.50 crore and working capital borrowing of Rs.3.06 crore as on 31 March, 2018 (Provisional). Interest Coverage Ratio (ICR) stood at 2.51 times for FY2018 (Provisional) as against 2.04 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.64 times as on 31 March, 2018 (Provisional) as against 3.15 times as on 31 March, 2017. Going forward, Acuité expects the company to maintain its financial risk profile in absence of major debt funded capex plans.

- Working capital intensive operations**

CTPL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 218 days in FY2018 (Provisional) compared to 249 days in FY2017. The GCA days are mainly dominated by high debtor days of 135 days in FY2018 (Provisional) compared to 199 days in FY2017 mainly on account of delays in receipt of payments from customers. The average cash credit utilisation stood at ~98.00 percent for the past six months ended as on May, 2018. Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- Competitive and fragmented industry**

CTPL operates in a highly competitive and fragmented industry characterised by large number of unorganised players affecting margins.

Analytical Approach

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

Outlook: Stable

Acuité believes that CTPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	12.36	12.11	13.70
EBITDA	Rs. Cr.	1.21	1.21	1.21
PAT	Rs. Cr.	0.33	0.17	0.27
EBITDA Margin	(%)	9.79	9.95	8.80
PAT Margin	(%)	2.67	1.42	1.96
ROCE	(%)	14.23	15.41	31.05
Total Debt/Tangible Net Worth	Times	1.38	1.56	1.80
PBDIT/Interest	Times	2.51	2.04	1.92
Total Debt/PBDIT	Times	3.27	3.24	3.48
Gross Current Assets (Days)	Days	218	249	139

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>
- 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)

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	4.25	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4

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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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