

Press Release

Quantum Power Systems

D-U-N-S® Number: 65-070-1837

February 04, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 12.00 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 double B plus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 12.00 crore bank facilities of Quantum Power Systems (QPS). The outlook is '**Stable**'.

QPS is a partnership firm established in 1994 based at Bengaluru. The partners are Mr. Balaji Brindavan and Mrs. Padmaja Balaji. The firm is mainly engaged in the manufacturing of handheld computers used in the fields of bus ticketing, electricity billing, retail billing, financial inclusions and food & civil supplies among others. All the products are built using state of art technology and are developed and manufactured in-house. The firm is ISO 9001:2000 certified organization. The firm sells their products under the brand name of Quantum Aeon. The upgrade is on account of reputed clientele among private and government entities, wide scope of work and good recall value for the product.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Quantum Power Systems (QPS) to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced Management**

QPS is engaged in the manufacturing of hand held computers and machines since 1994. The partners of the company - Mr. Balaji Brindavan and Mrs. Padmaja Balaji, have experience of more than two decades in the above mentioned business. With the partners' extensive industry experience and timely execution of projects, QPS has been able to establish long standing relationship with its clients.

- **Reputed clientele**

The firm has worked for reputed clients in both public and private sector over the years across various industries. For transport industry, the firm has worked for corporations such as Gujarat State Road Transport Corporation, Karnataka Road Transport Corporation, Metropolitan Transport Corporation - Chennai, Punjab Roadways and Tamil Nadu State Transport Corporation among others. For the Electricity sector, the firm has worked with Bangalore Electricity Company, Jaipur Vidut Vitran Nigam Limited and Paschim Gujarat Vij Com Limited among others. For Food & Civil Supplies, the firm has worked with Electronics Corporation of Tamil Nadu and Registrar - Co-operative Societies Tamil Nadu. The company is currently bidding to work for Electricity Boards of Uttar Pradesh, Rajasthan and Orissa. Among the financial institutions, the firm has worked with Fullerton India Credit Company Limited and Sanghamitra Rural Financial Services. For Goods Distribution, the company has worked with Coca-Cola India.

Weaknesses

- **Working capital intensive operations**

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QPS has highly intensive working capital operations as evident from gross current assets (GCA) days of 457 as on March 31, 2018 as against 329 days as on March 31, 2017. The high GCA days were mainly due to moderate inventory levels and high debtor days. The inventory days are moderate at 82 days in FY2018 as against 51 days in FY2017. The company's debtor days stood high at 237 days as on March 31 2018 as against 239 days as on March 31, 2017. Moderate working capital management has led to moderate utilization of working capital limits over the past six months ended October 2018 to the extent of 80-85 per cent. Acuité believes that the working capital operations of the firm will remain moderate as evident from collection mechanism, though high debtor levels are key rating sensitivity factor over the near term.

• Tender based nature of business

The revenues of QPS have remained uneven in the past. QPS has registered operating income of Rs. 13.58 crore for FY2018 as against Rs. 9.70 crore for FY2017 and Rs. 17.28 crore for FY2016. Further, the firm has achieved revenues of Rs. 17.00 crore till 31 October, 2018. Since QPS is highly dependent on the tender-based business, this makes the revenue volatile. The firm has a conversion rate of 1:8.

Outlook: Stable

Acuité believes that QPS will maintain a 'stable' outlook over the medium term on account of its established track record, experienced management and good order book position. The outlook may be revised to 'Positive' in case of a substantial and sustained growth in revenues and operating profitability. Conversely, the outlook may be revised to 'Negative' in case of higher-than anticipated increase in its working capital requirements most likely as a result of delays in realization of receivables or as a result of higher working capital requirement leading to deterioration in the financial risk profile.

Liquidity Position

QPS has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.1.20 to 2.90 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.10 – 0.35 crore over the same period. The cash accruals of QPS are estimated to remain around Rs.3.10 – 4.70 crore during 2019-21 while its repayment obligation are estimated to be around Rs. 0.20 – 0.30 crore. The firm's operations are moderately working capital intensive as marked by high gross current asset (GCA) days of 457 in FY 2018. This has led to moderate reliance on working capital borrowings, the cash credit limit in the firm remains utilized at 80 percent during the last 12 months period ended December 2018. QPS maintains unencumbered cash and bank balances of Rs.1.85 crore as on March 31, 2018. The current ratio of the firm stands healthy at 1.72 times as on March 31, 2018. QPS is likely to incur capex of Rs.1.00 – 1.30 crore over the medium which is likely to be funded by equity and external borrowing in the ratio of 1:2. Acuite believes that the liquidity of QPS is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	13.58	9.70	17.28
EBITDA	Rs. Cr.	2.58	1.59	3.66
PAT	Rs. Cr.	0.70	0.55	2.34
EBITDA Margin	(%)	18.97	16.36	21.19
PAT Margin	(%)	5.15	5.70	13.53
ROCE	(%)	14.09	8.20	42.27
Total Debt/Tangible Net Worth	Times	0.35	0.10	0.16
PBDIT/Interest	Times	5.53	5.43	12.24
Total Debt/PBDIT	Times	1.67	0.70	0.57
Gross Current Assets (Days)	Days	457	329	263

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

Not Applicable

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	1.50	ACUITE BB / Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB / Stable (Assigned)

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About Acuité Ratings & Research:

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