



### Press Release

## SAFRAN DATA SYSTEMS INDIA PRIVATE LIMITED (ERSTWHILE CAPTRONIC SYSTEMS PRIVATE LIMITED)

August 26, 2024

Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.50	ACUITE BBB-   Stable   Upgraded	-
Bank Loan Ratings	11.50	-	ACUITE A3   Upgraded
Total Outstanding Quantum (Rs. Cr)	20.00	-	-

### Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short-term rating to '**ACUITE A3**' (read as **ACUITE A three**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 20.00 crore bank facilities of Safran Data Systems India Private Limited (Erstwhile Captronic Systems Private Limited). The outlook is '**Stable**'.

### Rationale for rating upgrade

The rating upgrade considers the improved operating performance of SDSIPL in terms of growth in revenue and profitability. The revenue grew to Rs. 86.81 Cr. in CY2023 from Rs. 34.90 Cr. in 9MCY2022. The increase in revenue is on account of higher order executions during the year. Further, the operating profit margin grew to 11.25 % in CY2023 from 5.35 % in 9MCY2022. Further, it considers the strong parentage as SDSIPL is a wholly owned subsidiary of Safran Data Systems Investment SAS which is a subsidiary of France based 'Safran Electronics and Defense', having global presence and expertise in the defence and aerospace industries. The parent group has provided required liquidity support to SDSIPL in terms of corporate guarantee for major portion of its debt. The rating further considers the long track record of operations of SDSIPL and the parent group, expertise in the automated test equipment's and the reputed clientele.

However, the rating remains constrained due to the intensive nature of working capital operations and average financial risk profile.

### About the Company

Bangalore based Safran Data Systems India Private Limited (Erstwhile Captronic Systems Private Limited) was established as a proprietorship in the year 1999 by Mr. Vinod Thomas

Mathews. In 2004, it was reconstituted into a Private Limited Company named - Captronic Systems Private Limited (CSPL). In August 2022, it became a step-down subsidiary of the France based 'Safran Group'. Further, the name of the company changed to Safran Data Systems India Private Limited (SDSIPL) in May 2024.

SDSIPL is engaged into manufacturing of custom built Embedded Systems, Automated Test Equipment (ATE's), Automation & Data Acquisition services to Aero Defense, Space, Auto and Manufacturing industries.

### **About the Group**

Safran S.A. is a French multinational company that designs, develops and manufactures aircraft engines, rocket engines as well as various aerospace and defense-related equipment or their components. It was formed by a merger between SNECMA and the defense

electronics specialist SAGEM in 2005. Safran's acquisition of Zodiac Aerospace in 2018 significantly expanded its aeronautical activities. The Safran Group was created on 11 May 2005 with the merger of Snecma and Sagem SA Safran Electronics & Defense, formerly known as Sagem Défense Sécurité, is a French company specializing in optronics, avionics and electronic systems, as well as software for civil and military applications in the naval, aeronautical and space sectors. It is one of the ten entities that make up the Safran Group. The company has three divisions: Avionics, Optronics & Defense and Safran Electronics. Today, it has nine facilities in France and twelve subsidiaries spread across four continents. Safran Data Systems Investments SAS is a subsidiary of Safran Electronics & Defense.

## Unsupported Rating

ACUITE BB-/stable

## Analytical Approach

Acuité has considered the standalone business and financial risk profile of SDSIPL to arrive at this rating. The rating has been notched-up by considering support from its parent group – Safran Group (Safran Electronics and Defense) in the form of corporate guarantee provided for its working capital funding and shared name.

## Key Rating Drivers

### Strengths

#### **Experienced management, established track record of operations and reputed clientele**

SDSIPL, is in operation since 1999, which became a wholly owned subsidiary of Safran Data Systems Investment SAS in August 2022. The parent company, Safran S.A, has extensive experience in defence and aerospace industries. Mr. Vinod Thomas Mathew continues as the Managing Director, and the company maintains strong relationships with key suppliers and clients including Vikram Sarabhai Space Centre, Bosch Automotive Electronics India Private Limited, U R Rao Satellite Centre, and Mahindra and Mahindra among others.

Acuité believes that the SDSIPL will continue to benefit from its experienced management, long track record of business operations and established relations with its customers and suppliers. Further, the change in ownership of the company and induction of experts on the board is expected to further augment the business risk profile of SDSIPL over the medium term.

### Improving revenues and profitability

The operating income of the company improved substantially by 148.77 percent and stood at Rs. 86.81 Cr. in CY2023 as against Rs. 34.90 Cr. in 9M CY2022. The growth in revenue is on account of higher execution of orders. The operating and net profit margin of the company also improved to 11.25 percent and 4.45 in CY2023 as against 5.35 percent and 0.76 percent in 9M CY2022. The improvement in operating profit margin is on account of benefits accrued from increased scale of operations. Further, in 6M CY24, the company has recorded revenue of Rs. 44.7 Cr. with operating profit margin of ~7.4 percent, which is expected to increase towards the year end. The outstanding order book position as of June 2024 stood at Rs. 118.90 Cr, executable in next 12-18 months.

### Weaknesses

#### **Average Financial risk profile**

The financial risk profile of the company stood average marked by low net worth, average gearing and moderate debt protection metrics. The tangible net worth stood at Rs.10.27 Cr. as on Dec 31, 2023, as against Rs. 6.27 Cr. as on Dec 31, 2022. The total debt of the company stood at Rs.41.43 Cr. which includes Rs.5.19 Cr. of long-term debt, and Rs.36.24 Cr. of short-term debt. The gearing (debt-equity) improved and stood at 4.03 times as of Dec 2023, as

compared to 6.29 times as on Dec 31, 2022. Interest Coverage Ratio stood at 2.81 times for CY2023 as against 1.44 times for 9M CY2022. Debt Service Coverage Ratio (DSCR) stood at 2.13 times for CY2023 as against 0.55 times for 9M CY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) improved and stood at 7.83 times as on Dec 31, 2023, as against 9.69 times on Dec 31, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.12 times for CY2023 as against 0.02 times for 9M CY2022.

Acuite believes that the financial risk profile of SDSIPL will improve over the medium term on the back of steady accruals generation.

### **Intensive nature of working capital operations**

The company has an intensive working capital operations marked by gross current assets (GCA) days of 323 days in CY2023 as against 591 days in 9M CY2022. The receivable days stood at 206 days in CY2023 as against 255 days in 9M CY2022. The inventory days stood at 112 days in CY2023 as against 256 days in 9M CY2022. The average bank limit utilisation stood at high approx. 87 percent for the last 12 months ended December 2023. SDSIPL can extend its payables to support the working capital operations. The creditor days stood at 121 days in CY2023 against 345 days in 9M CY2022.

Going forward, the working capital operations are expected to remain at similar levels due to nature of business.

### **Tender based nature of operations**

SDSIPL majorly executes tender based projects from government organisations. Since the nature of operations is tender based, the business depends on the ability to bid for contracts successfully. Acuite believes that SDSIPL revenue and profitability are susceptible to risks inherent in tender based nature of operations.

### **Rating Sensitivities**

- Improvement in the scale of operations while maintaining the profitability margin.
- Any further deterioration in working capital management leading to deterioration in the financial risk profile and liquidity.

### **Liquidity Position**

#### **Adequate**

SDSIPL has adequate liquidity position marked by generation of sufficient cash accruals against its repayment obligations. It generated cash accruals of Rs.4.96 Cr. in CY2023 against repayment obligation of Rs.0.42 Cr. during the same period. Going ahead, the cash accruals are expected to remain in the range of Rs.8.17-8.54 Cr. against repayment obligation of Rs.0.52 Cr. over the medium term. However, the working capital operations of the company are intensive in nature marked by GCA days of 323 days in 2023 leading to high reliance on working capital limits. The average utilisation of working capital limits stood at ~87% over the past 12 months ending Dec, 2023. Further, the company has availed additional working capital limits recently and is further going to enhance the same in coming months to support the projected increase in scale of operations and working capital operations. The current ratio stood at 1.11 times as on Dec 31, 2023.

Acuite believes that the liquidity position of SDSIPL will improve on the back of expected increase in accruals generation over the medium term.

**Outlook: Stable**

Acuité believes that SDSIPL will maintain a 'Stable' outlook over the medium term backed by its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenues and profitability along with maintaining a healthy order book position and improvement in financial risk profile and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or profitability, or any further stretch in its working capital management leading to deterioration in its financial risk profile and liquidity position.

**Other Factors affecting Rating** None

## Key Financials

Particulars	Unit	FY 23 (*CY23 - Actual)	FY 22 (*9M CY22 - Actual)
Operating Income	Rs. Cr.	86.81	34.90
PAT	Rs. Cr.	3.86	0.26
PAT Margin	(%)	4.45	0.76
Total Debt/Tangible Net Worth	Times	4.03	6.29
PBDIT/Interest	Times	2.81	1.44

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

Not Applicable

### Any other information

The company has changed its reporting period from April 2022 onwards to calendar year. The company has prepared financials as per calendar year for 9MCY2022 (April 2022 to December 2022) and CY2023 (Jan 2023 – Dec 2023).

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <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
30 May 2023	Bank Guarantee/Letter of Guarantee	Short Term	11.50	ACUITE A4+ (Upgraded from ACUITE A4)
	Secured Overdraft	Long Term	3.00	ACUITE BB+   Stable (Upgraded from ACUITE B   Stable)
	Term Loan	Long Term	4.41	ACUITE BB+   Stable (Upgraded from ACUITE B   Stable)
	Proposed Long Term Bank Facility	Long Term	0.36	ACUITE BB+   Stable (Upgraded from ACUITE B   Stable)
	Term Loan	Long Term	0.41	ACUITE BB+   Stable (Upgraded from ACUITE B   Stable)
	Term Loan	Long Term	0.32	ACUITE BB+   Stable (Upgraded from ACUITE B   Stable)
04 Mar 2022	Term Loan	Long Term	0.20	ACUITE B   Stable (Reaffirmed)
	Term Loan	Long Term	0.32	ACUITE B   Stable (Reaffirmed)
	Term Loan	Long Term	4.65	ACUITE B   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.33	ACUITE B   Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	11.50	ACUITE A4 (Reaffirmed)
	Secured Overdraft	Long Term	3.00	ACUITE B   Stable (Reaffirmed)

## 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 avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.50	ACUITE A3   Upgraded ( from ACUITE A4+ )
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.36	ACUITE BBB-   Stable   Upgraded ( from ACUITE BB+ )
RBL Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Apr 2029	Simple	0.41	ACUITE BBB-   Stable   Upgraded ( from ACUITE BB+ )
RBL Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.32	ACUITE BBB-   Stable   Upgraded ( from ACUITE BB+ )
RBL Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.41	ACUITE BBB-   Stable   Upgraded ( from ACUITE BB+ )

Note: The company has not provided the maturity dates for the term loans.

### \*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company Name
1	Safran Group (Safran Electronics and Defense)
2	SAFRAN DATA SYSTEMS INDIA PRIVATE LIMITED (ERSTWHILE CAPTRONIC SYSTEMS PRIVATE LIMITED)



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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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