

May 15, 2019

## Captronic Systems Private Limited: Removed from 'Issuer not cooperating' Category

### Rating Action

ICRA has removed its earlier ratings of [ICRA]B- (Stable) and [ICRA]A4 from the 'ISSUER NOT COOPERATING' category as the company has now submitted its 'No Default Statement' ("NDS") which validates that the company is regular in meeting its debt servicing obligations. The company's ratings were moved to the 'ISSUER NOT COOPERATING' category in April 2019.

The current ratings derive comfort from the management's extensive experience in custom-automated test equipment, data acquisition and control systems mainly for defence and aerospace; and the company's technical competence, as reflected by its successful track record of design, development and execution of various types of defence and aerospace projects. The ratings consider the company's renowned client base and its order book of Rs. 20.4 crore primarily from the Defence Research Development Organisation (DRDO) laboratories, Indian Space Research Organisation (ISRO) establishments and automotive customers supporting its revenue visibility over the near term. ICRA also notes the company's favourable business outlook due to the defence offset requirements and the fillip derived from the Make in India policy.

The ratings, however, are constrained by the company's weak operational and financial performance, as reflected by an operating loss of Rs. 0.4 crore and a cash loss of Rs. 2.6 crore in FY2018, owing to delay in projects execution. The ratings also consider the company's weak financial risk profile, characterised by the modest scale of operation, high gearing, weak coverage indicators and high working capital intensity. The ratings also factor in the sizeable interest outgo and debt repayment obligations towards the loans availed, coupled with the stretched liquidity position on account of long collection period from Government clients. ICRA notes that the company's revenue and margin remained volatile over the last few years owing to project-specific requirements of its customers and delays at the customers' end, leading to revenue deferment. Further, the ratings consider the seasonality in cash flows, highly concentrated in the third and fourth quarters, and the vulnerability of the company's margins to foreign exchange fluctuations. ICRA also notes the company's high reliance on National Instruments Corporation for the procurement of critical hardware and software requirements. However, an established relationship with the supplier and CSPL's status as a Platinum Alliance Partner, provides comfort to an extent.

The previous detailed rating rationale is available on the following link: [Click here](#)

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