

Pluscon Systems Private Limited

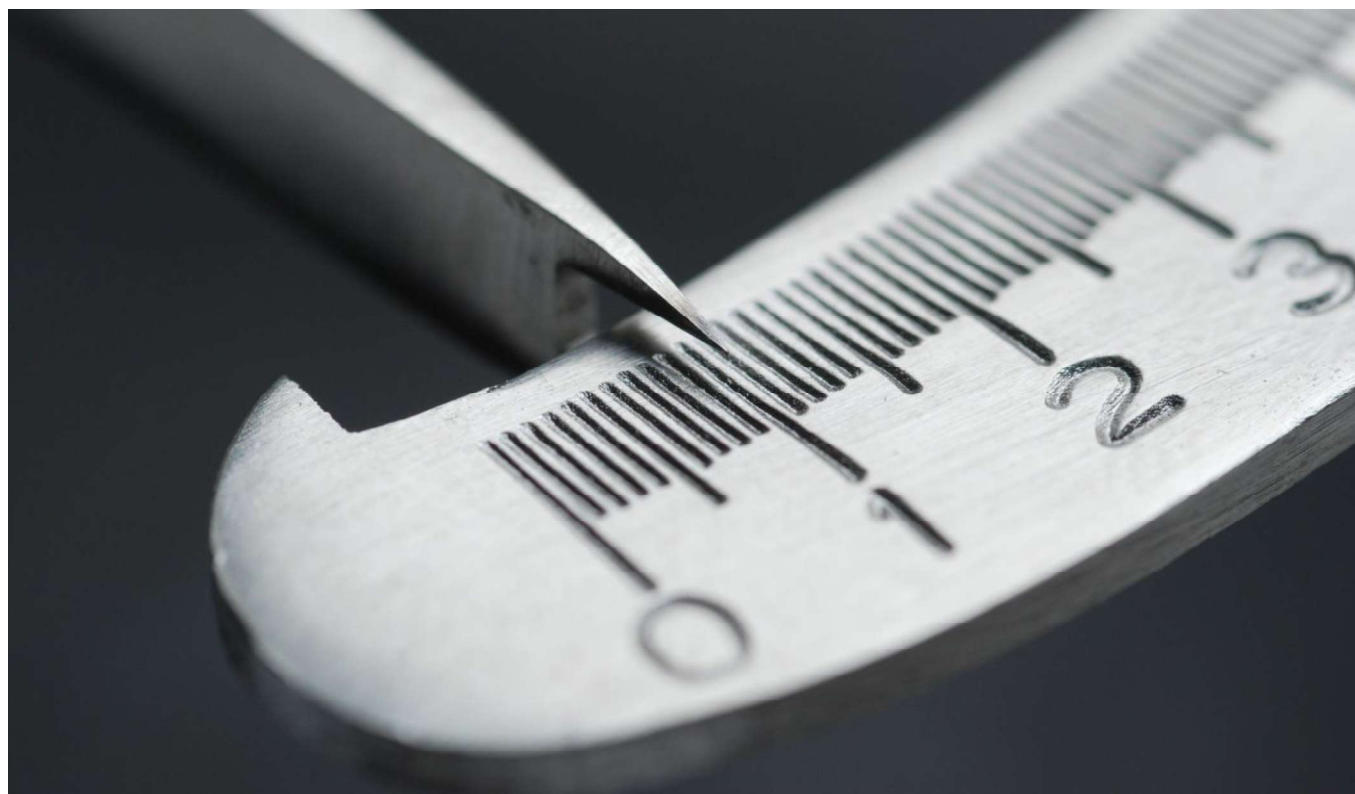
CRISIL Rating: CRISIL MSE 3

Financial strength: Above Average

Operating performance: High

Indicates 'High' creditworthiness in relation to other Micro & Small Enterprises

Report Date: November 15, 2019 / **Valid Till:** November 13, 2020



Important notice

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CRISIL MSE Rating

CRISIL MSE 3 indicates 'Good' credit worthiness adjudged in relation to other MSEs	CRISIL MSE Rating	Definition	Financial Strength	Operating Performance
	MSE 1	Highest	Highest	Highest
	MSE 2	High	High	High
	MSE 3	Good	Good	Average
	MSE 4	Above Average	Above Average	Weak
	MSE 5	Average	Average	Poor
	MSE 6	Below Average	Below Average	
	MSE 7	Weak	Weak	
	MSE 8	Poor	Poor	

Rating history

Rating	Financial strength	Operating performance	Assigned on	Valid till	Rating acceptance	Type
MSE 3	Above Average	High	15-Nov-16	14-Nov-17	Rating accepted	Renewal
MSE 4	Above Average	Average	4-Nov-16	3-Nov-17	Rating accepted	Renewal
SE 3B	-	-	8-Jul-15	7-Jul-16	Rating accepted	Renewal
SE 3A	-	-	8-Jul-14	7-Jul-15	Rating accepted	New

Key rating drivers

Business and management

Name of the company	Pluscon Systems Private Limited
Strengths	• Organisational stability: An established track record of 11 years indicates the company's ability to weather economic and business cycles. • Management's extensive knowledge: The promoters has more than two decades of relevant experience in the electrical industry. Thus, the company will continue to benefit from its promoter's extensive industry knowledge and insights. • Well-spread reach: The company's presence across India mitigates the risk of geographic concentration. • High focus on quality: The company conducts in-house quality control tests at each stage of the production process, which enhance its product quality and provide a competitive advantage. • Good business certainty: ○ The company registered a healthy growth rate of more than 70.00 % in revenue from fiscal 2018 to 2019. ○ As confirmed by management, the company projects improved revenue of Rs 700.00 lakh for fiscal 2020. • Adequate profitability: The company registered an adequate operating profit before depreciation, interest, and tax (OPBDIT) margin of 12.41%, and profit after tax (PAT) margin of 8.32% in fiscal 2019.
Risk factors	• Customer concentration risk: Plustech Systems and Solutions Private Limited accounts for about 50% of the company's overall revenue. Sustained business growth depends on the management's ability to diversify its customer base. • Factors that may constrain margins in the future: ○ Volatility in the price of raw materials ○ Intense competition from new and established players

Financial

Strengths	• Adequate capital structure: ○ Total outside liabilities/tangible net worth of the company remained low at 1.10 times for fiscal 2019. The gearing (considering promoter loans as neither debt nor equity) remained low at 0.20 time in fiscal 2019, and is expected to remain comfortable over the medium term with consistent growth in net worth. ○ Also the company's debt-equity ratio (considering promoter loans as neither debt nor equity) is likely to remain adequate at 0.41 time after factoring in the planned capital expenditure (capex). • Adequate credit protection measures: This is reflected in net cash accrual to total debt of 79.68% and PBDIT interest cover of 16.17 times as of fiscal 2019, which indicates ability to repay its existing financial obligations in a timely manner. • Efficient use of capital employed: While the company's return on capital employed (RoCE) though declined in fiscal 2017, it improved and remained adequate at 23.66% in fiscal 2019, and 13.71% in fiscal 2018.
Risk factors	• Weak working capital management: ○ Gross current assets were 202 days as of fiscal 2019 due to stretched receivables (188 days). The management's ability to quickly convert its current assets into cash and manage the working capital intensity remains

to be seen.

- As payables were stretched for the past 3 financial years, the company's ability to strengthen its working capital management remains to be seen.
- **Moderate liquidity:** The company has a declining and moderate cash/TOL ratio of 10.38 % as of fiscal 2019, which reflects moderate liquid cash available to meet its debt obligations.

Key Developments and Plans

Revenue:

- During the previous rating exercise (fiscal 2018), the company had projected net sales of Rs. 165.00 lakh for fiscal 2019, against which it recorded net sales of Rs. 500.52 lakh for the fiscal. The company exceeded its projections in fiscal 2019 due to higher orders from its clients.

Business:

- The business of the company remains the same, there are no major deviations in the business model since the past rating exercise.
- It designs, assembles, manufactures and supplies electrical and electronic control panels and automation systems.
- It manufactures customised products, wherein specifications are provided by the customer.
- The company also provides installation, commissioning, integration and maintenance services for the above products.
- The company provides one year warranty on its manufacturing defects.
- Details regarding increase in production capacity are sought by CRISIL, not provided by company.

Employee base:

- In fiscal 2018, the company added two permanent employees to its existing base of 14. It now has 16 permanent employees.

Fixed asset base:

- In fiscal 2019, company purchased the following fixed assets of Rs 118.98 lakh:
 - Factory building
- The funding of the assets was done with term loan from Kotak Mahindra Bank.

Banking facilities:

- The company availed term loan of Rs 53.00 lakh from Kotak Mahindra Bank in fiscal 2019.

Plans:

- In the previous rating exercise, the company had a plan to set up a manufacturing facility at Chakan, Pune. The company executed this plan and operations commenced from July 2019. The total capital expenditure cost is around Rs 250.0 lakh which was funded through term loan of Rs 53.00 lakh, and the remaining through promoters' own funds and unsecured loans. CRISIL has factored this plan into the rating process with revised gearing of 0.41 time.
- In fiscal 2019, the company plans to recruit additional 25 permanent employees.

Other key developments:

- The company has shifted its manufacturing facility to Plot no.: PAP/S-6, Chakan Industrial Area, Savardari Tal Khed, Pune - 410 501, Maharashtra, from Gat No. 783 C, Village Chimbali, Taluka. Khed, Pune – 410 501, Maharashtra

Financial profile

Current financial performance

Performance for the period April 1 to October 20, 2019		
Net sales	Rs lakh	241.71
OPBDIT	Rs lakh	Details sought by CRISIL, not provided by company
Current order book	Rs lakh	335.90
Debtors	Rs lakh	108.74
Creditors	Rs lakh	96.09
Capital	Rs lakh	Details sought by CRISIL, not provided by company
Total debt	Rs lakh	
Total debt- equity ratio	Times	

Projected / estimated performance during		FY20
Net sales	Rs lakh	700.00
PBT	Rs lakh	Details sought by CRISIL, not provided by company
PBT margin	%	

Past financial performance

Profit and loss account

For the year ended		FY17	FY18	FY19
		Audited	Audited	Audited
Number of months		12	12	12
Net sales	Rs lakh	220.60	290.04	500.52
Operating income	Rs lakh	222.08	290.04	500.52
Cost of sales	Rs lakh	219.21	262.08	438.40
OPBDIT	Rs lakh	2.87	27.96	62.13
Interest and finance costs	Rs lakh	0.06	0.59	3.89
OPBDT	Rs lakh	2.81	27.37	58.24
Depreciation	Rs lakh	1.33	1.22	3.06
OPBT	Rs lakh	1.48	26.15	55.18
Non-operating income / (expense)	Rs lakh	2.03	1.15	0.70
PBT	Rs lakh	3.51	27.30	55.88
Extraordinary income / (expense)	Rs lakh	0.28	-	-
Reported PBT	Rs lakh	3.79	27.30	55.88
Provision for taxes	Rs lakh	1.27	7.92	13.27
Deferred tax liability / (asset)	Rs lakh	(0.05)	(0.06)	0.96
PAT	Rs lakh	2.57	19.44	41.66
Dividends	Rs lakh	-	-	6.03
Net cash accruals	Rs lakh	3.90	14.64	38.68

Notes:

- Net sales rose significantly in fiscal 2019 due to the company receiving more orders from new and existing customers.
- Interest and finance costs for fiscal 2019 comprised interest on borrowings of Rs 2.37 lakh and bank charges of Rs 1.51 lakh.
- Interest and finance costs increased significantly during fiscal 2019 on account of utilisation of short-term debt obligations.
- Depreciation is charged according to the provisions of the Companies Act, 2013.
- Depreciation changed significantly during fiscal 2019 on account of additions to fixed assets base.
- Non-operating income during fiscal 2019 refers to interest income.
- Deferred tax has been provided over the past 3 years (fiscal 2017 to 2019) according to the provisions of the Companies Act, 2013.

Balance sheet

		FY17	FY18	FY19
		Audited	Audited	Audited
Liabilities				
Tangible net worth	Rs lakh	197.18	210.60	246.23
Deferred tax liabilities / (assets)	Rs lakh	(0.49)	(0.55)	0.41
Long-term debt	Rs lakh	-	-	-
<i>of which, current portion of long-term debt</i>	<i>Rs lakh</i>	-	-	-
Short-term debt	Rs lakh	-	-	48.55
<i>of which, working capital borrowing from banks</i>	<i>Rs lakh</i>	-	-	48.55
Other liabilities and provisions	Rs lakh	42.46	118.57	221.81
Total liabilities	Rs lakh	239.15	328.62	517.00
Assets				
Net fixed assets	Rs lakh	96.94	114.78	211.78
Investments	Rs lakh	-	-	-
Inventory	Rs lakh	17.11	10.89	15.28
Receivables (total)	Rs lakh	78.38	145.00	257.65
<i>of which, receivables greater than six months</i>	<i>Rs lakh</i>	-	-	-
Cash and bank balance	Rs lakh	27.08	50.72	28.11
Other current assets	Rs lakh	19.64	7.23	4.18
Total assets	Rs lakh	239.15	328.62	517.00

Notes:

- Short-term debt as of fiscal 2019 comprised bank overdraft from Kotak Mahindra Bank.
- Other liabilities and provisions as of fiscal 2019 comprised creditors for goods of Rs 166.65 lakh, advance from customers of Rs 8.02 lakh, statutory dues payables of Rs 1.11 lakh, provision for taxes of Rs 16.31 lakh, and provision for employee benefit of Rs 29.72 lakh.
- Fixed assets worth Rs 118.98 lakh were added during fiscal 2019. The main fixed assets added during the year included factory building.
- Inventory as of fiscal 2019 comprised stock of raw materials.
- Other current assets as of fiscal 2019 comprised loans and advances of Rs 2.03 lakh, and deposits of Rs 2.15 lakh.

Key financial ratios

For the year ended / as at		FY17	FY18	FY19
		Audited	Audited	Audited
OPBDIT margin	%	1.29	9.64	12.41
PAT margin	%	1.16	6.70	8.32
Return on capital employed	%	1.97	13.71	23.66
Gross current assets	days	158	177	202
Days inventory (on COP)	days	28	15	13
Days receivable (on gross sales)	days	130	182	188
Days payable (on materials)	days	98	181	183
Current ratio	Times	3.11	1.63	1.13
PBDIT Interest cover	Times	86.33	49.34	16.17
Net cash accruals/Total debt	%	-	-	79.68
Debt service coverage ratio	Times	-	37.92	13.27
Average cost of borrowing	%	-	-	16.01
Total outside liabilities/Tangible net worth	Times	0.21	0.56	1.10
Gearing - Total debt/Tangible net worth	Times	-	-	0.20
Gearing (considering promoter loans as neither debt nor equity)	Times	-	-	0.20
Cash /TOL	%	64.52	42.98	10.38

Notes:

- OPBDIT margin increased in fiscal 2019, mainly on account of a decrease in employee costs and administrative expenses as a percentage to operating income.
- Receivables and payables as of fiscal 2017 to 2019 were stretched. Reasons sought by CRISIL, not provided by company.

Fund flow statement

For the year ended		FY18	FY19
Sources of funds			
Net cash accruals	Rs lakh	14.64	38.68
Equity infusion / Share application money	Rs lakh	-	-
Long-term debt borrowed (net)	Rs lakh	-	-
Short-term debt borrowed (net)	Rs lakh	-	48.55
Decrease in net current assets	Rs lakh	14.59	-
Sale of investments / fixed assets	Rs lakh	-	-
Other sources	Rs lakh	-	21.07
Total sources of funds	Rs lakh	29.23	108.30
Uses of funds			
Investment and fixed assets purchased	Rs lakh	19.12	100.06
Decrease in tangible net worth	Rs lakh	-	-
Long-term debt repaid (net)	Rs lakh	-	-
Short-term debt repaid (net)	Rs lakh	-	-
Increase in net current assets	Rs lakh	-	8.24
Other uses	Rs lakh	10.11	-
Total uses of funds	Rs lakh	29.23	108.30

Notes: Other sources during fiscal 2019 refers to decrease in non-current assets, and increase in deferred tax liability.

Contingent liabilities

Contingent liabilities as of fiscal 2019: Nil

Auditors

Sateesh Manmohan and Associate, Chartered Accountants

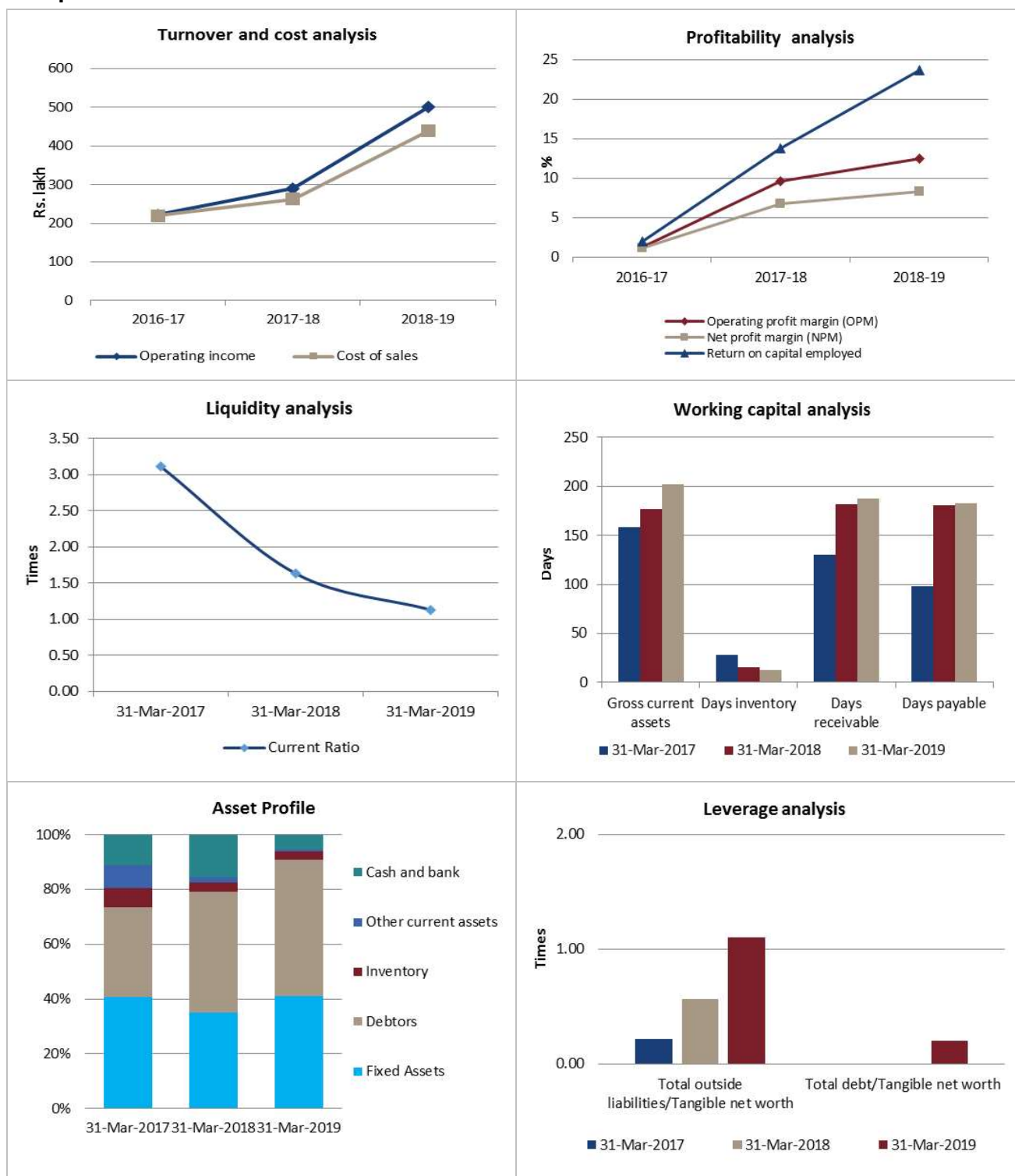
C - 12, Third Floor, Twin Towers
Jambhulkar Chowk, Wanawadi
Pune – 411 040, Maharashtra
Membership No. - 203566

Auditors' comments and observations in their audit report for fiscal 2019, fiscal 2018, and fiscal 2017:

No adverse comments

Change in auditors, if any: None

Graphs



Banking facilities

Name of the bank	Length of relationship	Facilities availed	Type of facility	Loan amount	Rate (%)
Kotak Mahindra Bank	11 years	Current account	Not applicable		
		Term loan	Fund based limit	Rs 53.00 lakh*	Details sought by CRISIL, not provided by company
		Cash credit		Rs 35.00 lakh*	

*Sanctioned amount

Notes:

- Performance of the account is satisfactory.
- The company availed term loan of Rs 53.00 lakh from Kotak Mahindra Bank in fiscal 2019.

Site visit

Address of the site visited	:	Plot No.: PAP/S-6, Chakan Industrial Area Savardari Tal Khed Pune - 410 501, Maharashtra
Date of site visit	:	November 5, 2019
CRISIL representative	:	Abdul Syed
Unit official contacted	:	Name: Nithin Jose
	:	Designation: Accounts executive
	:	Mob.: no.: +91 9225 900 016
	:	Email id: nithin@pluscon.in
No. of floors occupied	:	Ground + One Floor
Size of premises	:	4,000.00 square feet
Number of employees at the location	:	16 (at the time of site visit)
Child labour at the site	:	No
Locality	:	Industrial
Location area	:	Rural
Site location	:	Main road
Site used as	:	• Administrative office • Regional office • Sales office • Factory or works • Warehouse
Site layout	:	Spacious and well organised
Space around the building / structure	:	• Front porch • Backyard • Side space
State of infrastructure	:	• Power: Stable • Backup power: Available • Water: Available • Labour unions: Do not exist • Transportation: Easily availability • Overall infrastructure: Satisfactory
Electricity consumption	:	• August 2019: around 155.00 units • September 2019: around 1,396.00 units • October 2019: around 926.00 units
Building structure	:	Permanent structure
Ownership of premises	:	Owned
Sharing premises with group concerns	:	No
Facilities available at the site	:	• Telephone • Internet • Generator • Security guards • Fire extinguisher • Name or sign boards • Drinking water • Transport arrangement • Drainage and sewerage • Boundary wall

		Pantry and canteen
Utilised capacity	:	90.00%
Raw materials used	:	Electronic components
Source of raw material	:	Domestic: 100.00%
Environmental clearance obtained by unit	:	Obtained

Photographs of the facility:



Image 1

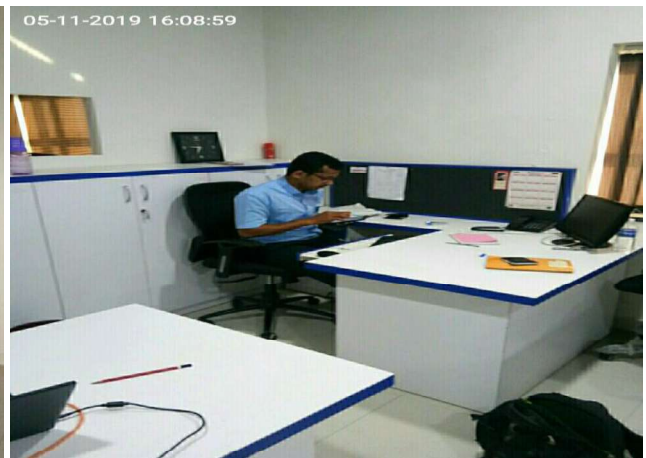


Image 2

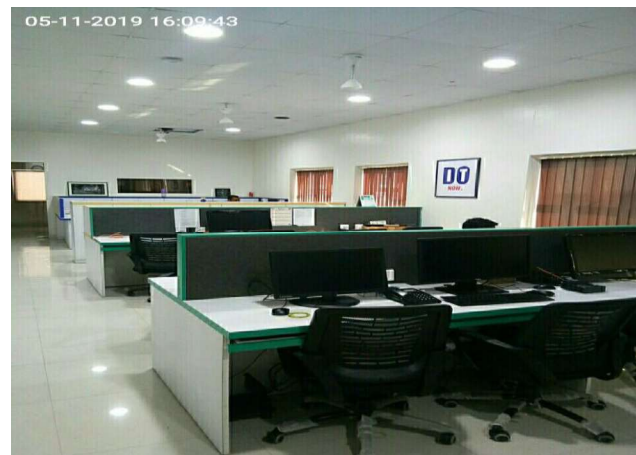


Image 3



Image 4



Image 5



Image 6