Qmax Test Equipments Private Limited

May 15, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	18.00	CARE BB; Stable	Assigned
Long Term / Short Term Bank Facilities	13.50	CARE BB; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to bank facilities of Qmax Test Equipments Private Limited (QTEPL) are constrained by its modest scale of operations, leveraged capital structure and working capital intensive nature of business. However, the ratings derive comfort from long track record of operations, experience of the promoters and recovery in operational performance with healthy margins over the past three years.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in total operating income (TOI) above ₹80.00 crore with a profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins over 20% on a sustained basis.
- Improvement in liquidity profile supported by higher cash accruals from operations.

Negative factors

- Decline in operational performance on the back of less order inflow.
- Any debt funded expansion further weakening the leverage position.

Analytical approach: Consolidated

CARE Ratings has taken consolidated approach for analysis of QTEPL, owing to the common management, operational synergies with group companies, and continuing support from QTEPL to its subsidiaries in the form of investment, loans and advances and corporate guarantees for the debt availed by the subsidiaries.

Outlook: Stable

The outlook on the rating is "stable" as the company is expected to maintain its business risk profile on the back of experience of the promoters.

Detailed description of key rating drivers

Key weaknesses

Modest scale of operations with high client concentration risk

QTEPL specializes in manufacturing testing equipment for high-end applications in sectors like defence, aerospace and power. The company's scale of operations remains modest, with consolidated revenue at ₹38.61 crore in FY24 improving to ₹56.00 Cr in FY25. Following the pandemic, the company saw decline in revenue, with TOI moderating to around ₹20-21 crore in FY21 and FY22 due to subdued demand and a slowdown in orders. Although the company has witnessed a recovery over the past two years—driven by increased demand and improved order execution—it is yet to reach its pre-pandemic revenue levels of ₹68.59 crore recorded in FY20.

Additionally, the company faces client concentration risk, with the top five customers contributing approximately 98% of total sales in FY25. Due to the high value and niche nature of its products, the customer base is inherently limited. This heavy reliance on a small number of clients makes QTEPL vulnerable to revenue volatility stemming from fluctuations in demand, delays, or shifts in purchasing patterns by any key customer.

Working capital intensive nature of operations

QTEPL's operations are working capital intensive due to high inventory levels, averaging around 300 days. As a manufacturer of high-end capital goods, the company needs to maintain substantial inventory across various product categories, including a wide range of components, parts, and specifications. With a component level inventory of over 5,400 items, the extended inventory

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

cycle is a structural requirement of the business model. Additionally, the group provides Annual Maintenance Contracts (AMCs) for its products, which necessitates stocking spare parts for older models. However, the risk of inventory obsolescence is minimal with most components are interchangeable across different products.
The average collection period stood high at 121 days in FY24 (PY: 120 days), mainly due to higher order fulfilment towards the end of the year, a trend observed over the past two years.

Leveraged capital structure; albeit capital infusion in FY25 and Q1FY26
Capital structure of the company is leveraged marked by overall gearing of 3.09x as of Mar-24 (PY: 3.28x). Total debt at consolidated level stood at ₹51.42 Cr as of Mar-24 majorly owing to high working capital utilisation at around 97%, capex term loan availed at subsidiary and loans from promoters. Debt coverage indicators also remained moderate marked by TD/GCA of 12.24x in FY24 (PY: 16.21x). QTEPL received capital infusion ₹4.86 crore in FY25 and ₹8.00 crores in Q1FY26 from a group of investors. This capital infusion, along with improving accruals, is expected to improve the company's leverage levels.

Technology risk
PCB technology is constantly evolving, and as a result, PCB test equipment must be regularly updated to meet the changing demands of end-users. The company focuses on ongoing research and development, ensuring continuous product upgrades to align with emerging technologies. The company holds patented technology which are recognised in multiple countries.

Key strengths
Extensive experience of the promoters and established track record of operations
The Qmax Group was founded by Mr. S.R. Sabapathi in 1992. Mr. Sabapathi is an electronics engineer with over 45 years of experience in test engineering and diagnostics of complex electronic systems. He began his career as a professional specializing in chip-level troubleshooting of complex PCBs and is credited with developing several innovative testing technologies. He patented the Bus Cycle Signature System, a breakthrough technology for testing microprocessor-based PCBs, which is patented in multiple countries including the UK, US, Singapore, and Australia.
With over 33 years in the industry, the Group has become a pioneer in automated testing and diagnostic equipment for high-end electronic systems. It has established a strong global presence, with its products being used in over 50 countries worldwide.

Recovery in operations with healthy margins
In the past two years, the company has seen improvement in margin on the back of improved order flow, higher-margin contracts, and tighter cost controls. With the recovery in scale of operation, PBILDT% improved to 16.48% in FY23 as against the operational losses recorded in FY22. Margins further improved to 20.46% in FY24 and ~22% in FY25. PAT margin also improved from 4.65% in FY23 to 7.99% in FY24.

Liquidity: Stretched
The cash accruals are expected to be satisfactory against term debt repayment obligations. The total unencumbered cash and bank balance of the company stood at ₹0.51 Cr as on March 31, 2024. Average fund-based working capital utilisation averaged around 91% for the last 11 months ended February 2025.

Applicable criteria
Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Electrical Equipment	Other Electrical Equipment

Qmax Test Equipment Pvt Ltd (QTEPL), established in 1993, specializes in the design and manufacturing of advanced testing equipment for electronic systems, with a primary focus on Printed Circuit Boards (PCBs) and semiconductors. The company is promoted by Mr. S.R. Sabapathi, an electronics engineer with over 45 years of experience in the industry. QTEPL is an Export Oriented Unit (EOU), with its products being sold to over 50 countries worldwide.

Brief Financials (₹ crore) (Consolidated)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	31.41	38.61	56.00
PBILDT	5.18	7.90	12.32
PAT	1.46	3.09	NA
Overall gearing (times)	3.28	3.09	NA
Interest coverage (times)	1.38	1.76	NA

A: Audited UA: Unaudited; NA: Not available; Note: these are latest financial results available

Status of non-cooperation with previous CRA: QTEPL has not co-operated with CRISIL wherein it has classified the issuer as 'Non-Cooperative' vide its press release dated February 17, 2025. The reason provided by CRISIL was non furnishing of sufficient information towards monitoring the ratings.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	18.00	CARE BB; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	13.50	CARE BB; Stable / CARE A4

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Cash Credit	LT	18.00	CARE BB; Stable				
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	13.50	CARE BB; Stable / CARE A4				

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Qmax Test Technologies Pvt Ltd (QTTPL)	Full	Subsidiary
2	Qmax Defense Systems Pvt Ltd (QDSPL)	Full	Subsidiary
3	Qmax Ion Pvt Ltd – (QIPL)	Full	Subsidiary
4	Qmax Far East Pte Ltd Singapore (QFE)	Full	Subsidiary
5	Qmax Technologies Sdn Bhd, Kulalampur, Malaysia (QTM)	Moderate	Associate

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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