

## Press Release

### Mitech Bus Door Systems Private Limited

October 27, 2020

### Rating Upgraded



<b>Total Bank Facilities Rated*</b>	Rs. 11.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable (Upgraded from ACUITE BB+)
<b>Short Term Rating</b>	ACUITE A3 (Upgraded from ACUITE A4+)

\* Refer Annexure for details

### 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 upgraded the short term rating to '**ACUITE A3**' (read as **ACUITE A three**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 11.00 crore bank facilities of Mitech Bus Door Systems Private Limited (MBPL). The outlook is 'Stable'.

The rating was earlier downgraded as per the press release dated 8th June, 2020 on account of information risk. However, the company has now cooperated with Acuite for the review.

Mitech Bus Door Systems Private Limited (MBPL) Incorporated in 2010 and based in Chennai (Tamilnadu). MBPL is engaged in the manufacture of bus doors and systems such as jack & knife door, inswing door, outswing door, driver door, emergency door, and luggage panel doors, among others. MBPL has its manufacturing facility located at Chennai (Tamil Nadu).

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of MBPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced management and established relationship with large clients**

MBPL is currently managed by its Directors, Mr. Raghupathi Suklam, Mr. Vellator Shanmugham, Mrs. Gnaneswaran Kalaivani, Mr. Subhadra Prakash Pradeep Kumar and Ms. Jayanthi who have more than two decades of experience in the auto ancillary industry. MBPL has strong in-house engineering and tool design capabilities to manufacture bus doors and systems with consistent quality and reliability resulting in repeat orders. MBPL is a prominent supplier of bus doors and systems to leading automobile OEMs such as Ashok Leyland Ltd, Metropolitan Transport Corporation Chennai Ltd, TATA Marcopolo Motors Ltd, VE Commercial Vehicles Ltd, Integral Coach Factory (ICF), among others. Consistent growth in the revenues of OEM's and client addition supported the stable revenue growth of MBPL. Acuite believes that with diversified product portfolio, diversified clientele, experienced management and established operational track record, MBPL continues to enjoy the benefit of the scale of operations and enhance customer diversity over the medium term.

- **Efficient working capital management**

MBPL's working capital operations are efficiently managed as evident from Gross Current Assets (GCA) of 94-122 days historically, due to prudent inventory management, and the receivables are supported by reputed clientele. The inventory days of about a month historically are majorly driven by local sourcing, Debtors days are around 79-97 days. To augment the working capital, the company stretches the creditors to the extent of about 92-131 days which partly lead to a weak current ratio of below 1.00 times in the past. Its bank limits are utilised efficiently about 40 percent during the past 9 months through August 2020. Acuite believes that MBPL's operation will continue to be efficiently managed supported by efficient collection mechanism and in time inventory levels.

## Weaknesses

### • Moderate financial risk profile

MBPL's financial risk profile is moderate marked by modest net worth, comfortable gearing (debt-to-equity), and moderate total outside liabilities to total net worth (TOL/TNW) and moderate debt protection metrics. MBPL's net worth is moderate at Rs.9.77 crore as on March 31, 2020 (provisional) as compared to Rs.8.71 crore as on March 31, 2018. Gearing is comfortable at 0.85 times as on March 31, 2020 (provisional) as against 1.37 times as on March 31, 2019. TOL/TNW stood at 2.17 times as on March 31, 2020 (provisional) as against 2.28 times as on March 31, 2019. Moderate net cash accruals lead to moderate protection metrics marked by NCA/TD and an interest coverage ratio of 0.16 times and 2.01 times in FY2020 (provisional) vis-à-vis 0.09 times and 2.13 times in FY2019, respectively. MBPL reported cash accruals of Rs.1.31 crore to 2.01 crore during the last 3 years ended through FY2020 (provisional) as against repayment obligations of about Rs.0.75 crore to 1.00 crore during the same period. Its cash accruals are expected in the range of Rs.1.50-2.00 crore over the medium term against repayment obligations of about Rs.1.00-1.35 crore during the same period. Acuité believes that with moderate accruals and no significant capex plans, the financial risk profile is expected to moderate over the medium term.

### • Modest scale of operations and declining profitability

The auto component industry is highly competitive due to competition from organised and unorganised players. The growth of auto component manufacturer will continue to be driven by volume growth of its key OEMs. Auto ancillaries with exposure to OEMs are witnessing increased competition have limited scope for volume growth; further, it exerts pressure on the profitability also. MBPL has been in operations about a decade; its scale of operations remained modest with operating income of Rs.36.63-44.01 crore in during last 3 years ended through FY2020 (Provisional). Profitability remains susceptible to pricing pressures from OEMs and volatility in raw material cost. The operating margins have been declining year-over-year from 10.07 per cent in FY2018 to about 6.43 per cent in FY2020 (provisional). Volatile margins are owing to fluctuations in raw material prices, limited bargaining power and flexibility to pass on the prices to the customers.

## Liquidity Position: Adequate

MBPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. MBPL reported cash accruals of Rs.1.31 crore to 2.01 crore during the last 3 years ended through FY2020 (provisional) as against repayment obligations of about Rs.0.75 crore to 1.00 crore during the same period. Its cash accruals are expected in the range of Rs.1.50-2.00 crore over the medium term against repayment obligations of about Rs.1.00-1.35 crore during the same period. MBPL's working capital operations are efficiently managed as evident from Gross Current Assets (GCA) of 94-122 days historically ended with FY2020 (provisional) due to prudent inventory management 15-30 days, receivables about 79-97 days. To augment the working capital, the company stretches the creditors to an extent of about 90-131 days, which partly lead to the current ratio at 1.00 times in the past. Its bank limits are utilised about 40 percent during the past 9 months through August 2020. Acuité believes that the liquidity is expected to be at similar levels in the absence of any significant capex plans over the medium term.

## Rating Sensitivities

- Improvement in the scale of operation while improving profitability margins
- Increase in the working capital requirement, any larger-than-expected, debt-funded capex

## Outlook: Stable

Acuité believes that MBPL will maintain a 'Stable' outlook over the medium term backed by its promoters' industry experience. The outlook may be revised to 'Positive' in case of significant growth in its revenues while improving the profitability. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management, or any significant debt-funded capital expenditure leading to the deterioration of its financial risk profile and liquidity.

### About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	44.01	33.84
PAT	Rs. Cr.	1.04	0.73
PAT Margin	(%)	2.36	2.17
Total Debt/Tangible Net Worth	Times	0.85	1.37
PBDIT/Interest	Times	2.01	2.13

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

None

### Any other information

None

### Any Material Covenants

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-June-2020	Cash Credit	Long Term	3.50	ACUITE BB+ (Downgraded from ACUITE BBB-/ Stable) Issuer not co-operating*
	Term loans	Long Term	4.01	ACUITE BB+ (Downgraded from ACUITE BBB-/ Stable) Issuer not co-operating*
	Term loans	Long Term	3.40	ACUITE BB+ (Downgraded from ACUITE BBB-/ Stable) Issuer not co-operating*
	Bank guarantee	Short Term	0.09	ACUITE A4+ Issuer not co-operating* (Downgraded from ACUITE A3)
09-Apr-2019	Cash Credit	Long Term	3.50	ACUITE BBB- / Stable (Assigned)
	Term loans	Long Term	4.01	ACUITE BBB- / Stable (Assigned)
	Term loans	Long Term	3.40	ACUITE BBB- / Stable (Assigned)
	Bank guarantee	Short Term	0.09	ACUITE A3 (Assigned)

**\*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	3.50	ACUITE BBB-/ Stable (Upgraded from ACUITE BB+)
Term loans	26-03-2015	Not Applicable	31-03-2025	3.26	ACUITE BBB-/ Stable (Upgraded from ACUITE BB+)
Term loans	27-11-2017	Not Applicable	31-05-2036	2.87	ACUITE BBB-/ Stable (Upgraded from ACUITE BB+)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.09	ACUITE A3 (Upgraded from ACUITE A4+)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.28	ACUITE BBB-/ Stable (Upgraded from ACUITE BB+)

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**About Acuité Ratings & Research:**

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