

## Press Release

### Mitech Bus Door Systems Private Limited

January 25, 2022



### Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.91	ACUITE BB+   Stable   Downgraded	-
Bank Loan Ratings	0.09	-	ACUITE A4+   Downgraded
Total Outstanding Quantum (Rs. Cr)	11.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has downgraded the long-term rating to **ACUITE BB+** (read as **ACUITE double B plus**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 11.00 crore bank facilities of Mitech Bus Door Systems Private Limited (MBPL). The outlook is '**Stable**'.

### About the Company

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.

## **Weaknesses**

### **>Modest scale of operations**

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 .However, the revenue declined to Rs. 10.83 Cr for FY2021 (Provisional) Profitability remains susceptible to pricing pressures from OEMs and volatility in raw material cost. Volatile margins are owing to fluctuations in raw material prices, limited bargaining power and flexibility to pass on the prices to the customers.

### **>Intensive Working capital operations**

Deteriorated and intensive working capital requirements as evident from gross current assets (GCA) of 351 days for FY2021 (Prov.) as against 120 days for FY2020. Deteriorated GCA days are mainly due to increase in inventory days from 15 days in FY2020 to 168 days in FY2021 (Prov.), there is increase in inventory days as the company maintained higher level of raw material inventory at the year end, also the company has started catering to orders from Integral Coach Factory in which they have to maintain high raw material inventory. Further, debtor days stood at 180 days as on 31 March 2021 (Prov.) as against 96 days in previous year. Also, the receivables and inventory levels are high as on 31<sup>st</sup> March 2021 (Prov.) because of disruption caused by Covid-19 pandemic. Current Ratio stood at 0.97 times as on 31 March 2021 (Prov.) as against 1.01 in the previous year

### **>Moderate Financial Risk Profile**

The financial risk profile of the company stood moderate marked by modest net worth and coverage metrics. The net worth of the company stood at Rs. 9.60 crore as on 31 March 2021 (Prov.) as against Rs. 9.47 crore as on 31 March 2020. The gearing (debt-equity) of the company stood at 1.27 times as on 31 March 2021 (Prov.) as against 0.90 times as on 31 March 2020. Total debt of the company stood at Rs. 12.23 crore as on 31 March, 2021 (Prov.) which comprises of short term debt of Rs. 3.52 Cr, long term debt of Rs. 7.08 Cr and current portion of long term debt of Rs. 1.57 Cr. Interest coverage ratio deteriorated and stood moderate at 1.34 times for FY2021 (Prov.) as against 1.86 times for FY2020. Also, NCA/TD stood low at 0.04 times for FY2021 (Prov.) as against 0.12 times previous year. Further, Debt-EBITDA stood high at 8.53 times for FY2021 (Prov.) as against 3.12 times for FY2020. Acuité expects the company to maintain its financial risk profile in the absence of major debt funded capex plan and moderate working capital requirement.

## **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

## **Material covenants**

None

## **Liquidity Position: Stretched**

The company has stretched long-term liquidity marked by modest net cash accruals to its maturing debt obligations. The company will generate cash accruals of Rs. 0.88 crore as against Rs.1.57 Cr of repayment obligations for the same period. However, company will be able to bridge this gap through Unsecured loans as the directors have infused Rs. 1.02 Cr of unsecured loans into the business to help bridge the gap. Also, the company has unencumbered cash and bank balances of Rs. 0.61 crore as on 31<sup>st</sup> March 2021 (Prov.). The company's operations are working capital intensive as marked by gross current asset (GCA) days of 351 in FY2021 (Prov.). Hence, the reliance on working capital borrowings were high as the average utilization for fund based facility stood high at 97.77 per cent in the last six months ending December 2021 (Prov.). Further, the current ratio stood at 0.97 times as on 31<sup>st</sup>

**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.

**Key Financials**

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	10.83	44.18
PAT	Rs. Cr.	0.13	0.72
PAT Margin	(%)	1.24	1.64
Total Debt/Tangible Net Worth	Times	1.27	0.90
PBDIT/Interest	Times	1.34	1.86

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

None

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <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**<https://www.acuite.in/view-rating-criteria-55.htm>**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Oct 2020	Term Loan	Long Term	2.87	ACUITE BBB-   Stable (Upgraded from ACUITE BB+)
	Bank Guarantee	Short Term	0.09	ACUITE A3 (Upgraded from ACUITE A4+)
	Term Loan	Long Term	3.26	ACUITE BBB-   Stable (Upgraded from ACUITE BB+)
	Proposed Bank Facility	Long Term	1.28	ACUITE BBB-   Stable (Upgraded from ACUITE BB+)
	Cash Credit	Long Term	3.50	ACUITE BBB-   Stable (Upgraded from ACUITE BB+)
08 Jun 2020	Term Loan	Long Term	3.40	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	3.50	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	4.01	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	0.09	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	0.09	ACUITE A3 (Assigned)

09 Apr 2019	Term Loan	Long Term	4.01	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	3.50	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	3.40	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.09	ACUITE A4+   Downgraded
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB+   Stable   Downgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.78	ACUITE BB+   Stable   Downgraded
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	3.26	ACUITE BB+   Stable   Downgraded
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.87	ACUITE BB+   Stable   Downgraded

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### About Acuité Ratings & Research

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