

### Manas Automotive Systems Limited: Assigned

Name of the Instrument	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	6.00	SMERA B+/Stable (Assigned)
Term Loan	9.00	SMERA B+/Stable (Assigned)
Letter of Credit*	1.00	SMERA A4 (Assigned)
Term Loan (Proposed)	4.00	SMERA B+/Stable (Assigned)

*\*includes Bank Guarantee as a sublimit to the tune of Rs.0.20 crore*

SMERA has assigned rating of '**SMERA B+**' (read as **SMERA B plus**) and '**SMERA A4**' (read as **SMERA A four**) to the above mentioned bank facilities of Manas Automotive Systems Limited (MASL). The outlook is '**Stable**'.

The ratings draw comfort from the company's experienced management, moderate financial risk profile and reputed customer base. However, the ratings are constrained by the small scale of operations, stretched liquidity position and the cyclical nature of the industry. The ratings also note the susceptibility of profit margins to volatility in raw material prices.

MASL, incorporated in 2009, is engaged in the manufacture of rear-view mirrors for commercial vehicles. The company benefits from its experienced management.

The financial risk profile is moderate as reflected in the gearing of 0.96 times as on March 31, 2015. However, the networth of the company is supported by the unsecured loans subordinated to bank debt. The total debt of Rs.15.16 crore as on March 31, 2015 includes term loans to the extent of Rs.9.17 crore. MASL has a yearly repayment obligation of around Rs.2.40 crore. The company also plans to avail another term loan of Rs.4.00 crore for capacity enhancements. MASL has a reputed customer clientele comprising OEMs in the commercial vehicles sector.

However, the company operates on a small scale with revenue of Rs.23.96 crore for FY2014-15, a decline of 10 per cent over the previous year. The operations of MASL are working capital intensive as reflected from its stretched liquidity position. The bank limit utilisation of the company is high at 95.36 per cent for six months ended February 2016. The company is subject to the inherent cyclicity of the automobile industry.

### Rating Sensitivity Factors

- Increasing scale of operations
- Maintaining operating profit margins
- Efficient working capital management and bank limit utilisation

### Outlook-Stable

SMERA believes that MASL will continue to benefit over the medium term from the experience of its promoters in the auto industry and reputed customer base. The outlook may be revised to 'Positive' if its scale of operations increases substantially while maintaining operating profitability and improving coverage indicators. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operation or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

**Criteria applied to arrive at the ratings:**

- Manufacturing Entity

**About the Company**

MASL, incorporated in 2009, is a Pune-based company promoted by Mr. Jagjit Singh Nain. The company is engaged in the manufacture of rear-view mirrors for commercial vehicles. During 2014-15, Mr. Sumedh Badve and family, the promoters of Badve Engineering Limited and Mask Polymers Private Limited bought out Mr. Nain's equity in the proportion of 3:2 to take over management control of the company.

In FY2014-15, MASL reported profit after tax (PAT) of Rs.0.23 crore on operating income of Rs.23.96 crore, as compared with net loss of Rs.1.61 crore on operating income of Rs.26.62 crore in the previous year.

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**ABOUT SMERA**

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