

Press Release

MANAS AUTOMOTIVE SYSTEMS LIMITED

December 06, 2017

Rating Upgraded



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has upgraded long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 20.00 crore bank facilities of MANAS AUTOMOTIVE SYSTEMS LIMITED. The outlook is '**Stable**'.

Manas Automotive Systems Limited (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. In FY2014-15, 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. The upgrade in rating of the company is mainly on account of improvement in business profile, continuous support from group companies with respect to technical expertise and infusion of substantial unsecured loan and stable financial risk profile.

Key Rating Drivers

Strengths

• Experienced management

MASL established in 2009, manufactures rear-view mirrors. The company has a reputed client base constituting OEMs in the commercial vehicle segment such as TATA Motors, Ashok Leyland, Volvo Eicher to name a few. SMERA believes that the company will continue to benefit from its established position in the market and experienced management.

• Increase in EBITDA and PAT margin

The EBITDA margins improved to 21.48 percent in FY2015-16 (Provisional) from 16.82 percent in FY2016 due to decline in employee cost and other expenses mainly on account of automatisation and economies of scale. The PAT margin stood at 1.39 percent in FY2017 (Provisional) as against 0.83 percent in FY2016 driven by increase in operating margins.

• Moderate financial risk profile

MASL has a moderate financial risk profile marked by tangible networth of Rs.28.90 crore as on 31 March, 2017 (Provisional) as against Rs.20.11 crore as on 31 March, 2016. The networth includes interest bearing unsecured loan of Rs. 25.88 crore as on 31 March, 2017 subordinated to bank debt. The gearing improved to 0.37 times as on 31 March, 2017 (Provisional) as against 0.63 times as on 31 March, 2016 on account of repayment of loan. The total debt of Rs.10.55 crore as on 31 March, 2017 comprises working capital funding of Rs. 6.00 crore and term loan of Rs.2.15 crore. MASL has reported improvement in RoCE at 11.56 per cent in FY2017 (Provisional) as against 7.23 percent in FY2016. The company has a moderate interest coverage ratio (ICR) of 1.81 times in FY2016-17 as against 0.29 times in FY2015-16. Going forward, the gearing is expected to remain moderate in the medium term despite additional capex. The company plans to expand capacity at a cost of around Rs.10.00 crore to be funded by bank borrowings of Rs.7.00 crore and promoters funding of Rs. 3.00 crore.

Weaknesses

• Working capital intensive operations

The operations are working capital intensive as reflected in the Gross current assets (GCA) of 174 days in FY2017 and 164 in FY2016. The debtor days stood at 108 and inventory holding at 53 days in FY2017 as against debtor days of 86 and inventory holding of 41 days in FY2016. Moreover, the operations are working capital intensive marked by bank limit utilisation of 96 per cent for the last six months ended August 2017.

• Small scale of operations

MASL operates on a small scale with revenue of Rs. 28.20 crore for FY2015-16 as against Rs.23.96 crore in FY2014-15. However, the company registered moderate revenue growth of ~18 per cent in FY2016-17 (Provisional) over the previous year. Revenue stood at Rs.33.11 crore in FY2016-17 (Provisional). Further, the company registered revenue of Rs.13.00 crore for the period April to Sep 17.

• Cyclical in the industry

The revenues are susceptible to the inherent cyclical in the automobile industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of MASL.

Outlook: Stable

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

About the Rated Entity - Key Financials

For FY2015-16, MASL reported Profit after Tax (PAT) of Rs.0.23 crore on total operating income of Rs.28.20 crore compared with PAT of Rs. 0.23 crore on total operating income of Rs.23.96 crore in FY2014-15. The tangible net worth stood at Rs.20.11 crore as on 31 March, 2016 as against Rs.15.74 crore in the previous year. As per provisional figures for FY2016-17, MASL reported PAT of Rs.0.46 crore on total operating income of Rs.33.11 crore. The tangible net worth stood at Rs.28.90 crore as on 31 March, 2017.

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
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18-Aug-2017	Cash Credit	Long Term	INR 6	SMERA B+
	Term Loan	Long Term	INR 9	SMERA B+
	Letter of Credit	Short Term	INR 1	SMERA A4
	Proposed Long Term Loan	Long Term	INR 4	SMERA B+
08-Jun-2016	Cash Credit	Long Term	INR 6	SMERA B+ / Stable
	Term Loan	Long Term	INR 9	SMERA B+ / Stable
	Letter of Credit	Short Term	INR 1	SMERA A4
	Proposed Long Term Loan	Long Term	INR 4	SMERA B+ / Stable

*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	6.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.34	SMERA BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	9.16	SMERA BB- / Stable

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ABOUT SMERA

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