

Press Release

Manas Automotive Systems Limited

January 24, 2019



Rating Upgraded

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable (Upgraded from ACUITE BB-/Stable)
Short Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating of '**ACUITE BB**' (**read as ACUITE BB**) from **ACUITE BB-/Stable** on the Rs. 20.00 crore bank facilities of Manas Automotive Systems Limited (MASL). The outlook is '**Stable**'.

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.

Acuité has withdrawn the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs.1.50 crore bank facility of MANAS AUTOMOTIVE SYSTEMS LIMITED (MASL). The rating has been withdrawn on account of 'No Dues Certificate' received from the banker.

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.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of MASL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

MASL was established in 2009. The company is engaged in the manufacturing of rear-view mirrors. Within a decade, the company has built up a reputed client base in the commercial vehicle segment with OEMs such as Volvo, Eicher Motors, TATA Motors and Ashok Leyland among others. Acuité believes that MASL will continue to benefit by being in business with such established players in the market along with an experienced management.

• Moderate financial risk profile

MASL has a moderate financial risk profile marked by tangible net worth of Rs.5.62 crore as on 31 March, 2018 as against Rs.3.32 crore as on 31 March, 2017. The net worth includes interest bearing unsecured loan of Rs. 20.34 crore as on 31 March, 2018 subordinated to bank debt. The gearing improved to 6.22 times as on 31 March, 2018 as against 10.77 times as on 31 March, 2017 on account of repayment of loan. The total debt of Rs.34.96 crore as on 31 March, 2018 comprises working capital funding of Rs.5.94 crore and term loan of Rs.8.67 crore. MASL has reported improvement in RoCE at 13.07 per cent in FY2018 as against 12.45 percent in FY2017. The company has a moderate interest coverage ratio (ICR) of 2.35 times in FY2017-18 as against 1.81 times in FY2016-17. Going forward, the gearing is expected to remain moderate in the medium term despite additional capex.

- **Improvement in profitability indicators**

The profitability indicators have shown improvement year on year. The EBITDA margins improved to 20.27 percent for FY2018 as against 17.71 percent for FY2017 and 16.62 percent for FY2016. The PAT margins improved considerably to 6.05 percent for FY2018 against 1.89 percent for FY2017. The net cash accruals (NCA) margin stood at 12.10 percent for FY2018 as against 7.71 percent for FY2017. The Return on Capital Employed (RoCE) improved to 13.07 percent for FY2018 as against 12.45 percent for FY2017. Acuité believes that the ability of the company to maintain the profitability indicators at their current levels will be a key rating sensitivity factor in the future.

Weaknesses

- **Competitive industry**

The firm is exposed to intense competition from large number of players in the auto components industry. Further, automobile industry is cyclical in nature and dependent on the economic growth and purchasing power of the customers. This will have impact on the operations of entities such as MASL.

- **Customer concentration**

The firm is exposed to customer concentration risk as more than 50 percent of the revenue is derived from two customers i.e. Tata Motors Limited and Eicher-Volvo. This also limits the bargaining power against the customer.

Outlook: Stable

Acuité believes that MASL will maintain a 'Stable' outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of sustained and significant growth in operating income while improving its profitability margins the outlook may be revised to 'Negative' in case of declined in profitability metric and/or deterioration in working capital management and financial risk profile of the company.

Liquidity Position

MASL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.2.50 to Rs.4.70 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.2.00-2.50 crore over the same period. The cash accruals of the group are estimated to remain around Rs.4.50 – Rs.6.90 crore during 2019-21 while its repayment obligation are estimated to be around Rs.0.50 – Rs.2.00 Crore. The group's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 147 in FY2018. This has led to reliance on working capital borrowings, the cash credit limit in the group remains utilized at 80 percent during the last 12 months period ended December 2018. The group maintains unencumbered cash and bank balances of Rs.0.02 crore as on March 31, 2018. The current ratio of the group stands at 1.07 times as on March 31, 2018. The group is likely to incur capex of Rs. 1.00 – Rs.2.00 crore over the medium term. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	37.99	40.05	28.20
EBITDA	Rs. Cr.	7.70	7.09	4.69
PAT	Rs. Cr.	2.30	0.76	0.23
EBITDA Margin	(%)	20.27	17.71	16.62
PAT Margin	(%)	6.05	1.89	0.83
ROCE	(%)	13.07	12.45	14.04
Total Debt/Tangible Net Worth	Times	0.56	10.77	0.63
PBDIT/Interest	Times	2.35	1.81	2.29
Total Debt/PBDIT	Times	1.86	5.01	2.67
Gross Current Assets (Days)	Days	147	143	164

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-40.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-Dec-2017	Cash Credit	Long Term	6.00	ACUITE BB- / Stable (Upgraded)
	Term Loan	Long Term	3.34	ACUITE BB- / Stable (Upgraded)
	Proposed Bank Facility	Long Term	9.16	ACUITE BB- / Stable (Upgraded)
18-Aug-2017	Cash Credit	Long Term	6.00	ACUITE B+ (Indicative)
	Term Loan	Long Term	9.00	ACUITE B+ (Indicative)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Indicative)
	Proposed Long Term Loan	Long Term	4.00	ACUITE B+ (Indicative)
08-Jun-2016	Cash Credit	Long Term	6.00	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	9.00	ACUITE B+ / Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Assigned)
	Proposed Long Term Loan	Long Term	4.00	ACUITE B+ / Stable (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	12.00	ACUITE BB / Stable (Upgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB / Stable (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+ (Withdrawn)

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About Acuité Ratings & Research:

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