

## Press Release

### Manas Automotive Systems Limited

March 23, 2020



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 20.00 Cr.
<b>Long Term Rating</b>	ACUITE BB / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) 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 manufacturing 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.

### 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 and reputed clientele**

The directors of the company are Mr. Rajesh Mhaske (Managing Director), Mr. Suresh Pankey and Mr. Ashok Jogalekar. The directors have over four decades of experience in the automotive industry. The experience of the management has helped the company develop healthy relationships with its customers and suppliers. The company caters to reputed clientele in the commercial vehicle segment with OEMs such as Volvo, Eicher Motors, TATA Motors and Ashok Leyland among others. Acuité believes that MASL will sustain its existing business profile on the back of its experienced management and reputed clientele.

- **Moderate financial risk profile**

The financial risk profile of the company stood moderate marked by tangible net worth of Rs. 30.71 crore as on 31 March, 2019 (includes quasi equity of Rs. 23.96 crore) as against Rs. 25.96 crore as on 31 March, 2018 (includes quasi equity of Rs. 20.34 crore). The gearing (debt-to-equity) stood at 0.41 times as on 31 March, 2019 as against 0.56 times as on 31 March, 2018. The total debt outstanding of Rs. 12.44 crore as on 31 March, 2019 comprises of Rs. 6.36 crore of working capital borrowings and Rs. 6.08 crore of long term debt. The interest coverage ratio stood at 2.17 times for FY2019 as against 2.35 times for FY2018. Total outside liabilities to tangible net worth (TOL/TNW) stood low at 0.65 times as on 31 March, 2019 as against 0.89 times as on 31 March, 2018. Acuité believes that the financial risk profile of the company is expected to remain moderate backed by moderate net cash accruals and in the absence of any major debt funded capex in near to medium term.

#### Weaknesses

- **Decline in scale of operations and profitability margins**

The scale of operations has shown a declining trend over the period FY2017-FY2019 under study. The operating income declined to Rs. 36.20 crore in FY2019 from Rs. 37.99 crore in FY2018 and Rs. 40.05 crore in FY2017. Further, the company has registered revenues of ~ Rs. 28.00 crore for 11M-FY2020. The operating margins stood at 18.34 percent in FY2019 as against 20.27 percent in FY2018. PAT (Profit after tax) margin stood fluctuating marked by 3.14 percent in FY2019 as against 6.05 percent in FY2018 and 1.89 percent in FY2017.

• **Competitive industry**

The company 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 risk**

The company 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.

**Rating Sensitivities**

- Substantial improvement in scale of operation while maintaining profitability margin.
- Stretch in working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile.

**Any Material Covenants**

None

**Liquidity Position: Adequate**

MASL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 3.64 crore for FY2019, while its maturing debt obligations were Rs. 2.40 crore for the same period. The cash accruals of the company are estimated to remain in the range of ~Rs. 3.00 crore to Rs. 4.50 crore during 2020-22 against debt obligation in the range of ~ Rs. 0.90 crore to Rs. 1.00 crore for the same period. The company's working capital operations are moderate marked by GCA days of 161 days for FY2019. Further, the bank limit utilization stood at 91.95 percent for the past six months ended January 2020. The company maintains unencumbered cash and bank balances of Rs. 0.07 crore as on 31 March, 2019. The current ratio stood at 1.33 times as on 31 March, 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals to its maturing debt obligation.

**Outlook: Stable**

Acuité believes that the MASL will maintain a 'Stable' outlook and benefit over the medium term on the back of its promoter's industry experience. The outlook may be revised to 'Positive' if the company registers higher-than-expected growth in revenues while improving profitability along with improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

**About the Rated Entity - Key Financials**

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	36.20	37.99
PAT	Rs. Cr.	1.14	2.30
PAT Margin	(%)	3.14	6.05
Total Debt/Tangible Net Worth	Times	0.41	0.56
PBDIT/Interest	Times	2.17	2.35

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

Not applicable

**Any other information**

None

**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/criteria-complexity-levels.htm>

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
24-Jan-2019	Cash Credit	Long Term	12.00	ACUITE BB / Stable (Upgraded from ACUITE BB-/ Stable)
	Term Loan	Long Term	8.00	ACUITE BB / Stable (Upgraded from ACUITE BB-/ Stable)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Withdrawn)
06-Dec-2017	Cash Credit	Long Term	6.00	ACUITE BB- / Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	3.34	ACUITE BB- / Stable (Upgraded from ACUITE B+)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Upgraded from ACUITE A4)
	Proposed Bank Facility	Long Term	9.16	ACUITE BB- / Stable (Upgraded from ACUITE B+)
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	7.00*	ACUITE BB / Stable (Reaffirmed)
Term loans	17-Jan-2018	Not Applicable	17-Jan-2025	5.40	ACUITE BB / Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.60	ACUITE BB / Stable (Reaffirmed)

\*Cash Credit includes sublimit of letter of credit to the extent of Rs. 3.50 crore and bank guarantee to the extent of Rs. 3.50 crore.

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### About Acuité Ratings & Research:

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