

Press Release

Mac Machine Tools And Automation

July 02, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 6.00 crore bank facilities of Mac Machine Tools And Automation. The outlook is '**Stable**'.

MAC Machine Tools and Automation (MAC) was established in 1991 as a proprietorship firm by Mr. Nagarajan. MAC offers industrial automation solutions to end users in various industries including Automobile, Automotive, FMCG, Software and Manufacturing. It provides solutions including Machine, Tools, Support, and Process know how, to add value to the manufacturing operations of the customers. MAC is an authorised Factory Automation Channel partner of Mitsubishi Electric India Pvt. Ltd and has introduced new technological solutions using IIOT (industrial internet of things) solutions, smart factory and smart manufacturing.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of MAC to arrive at the rating.

Key Rating Drivers

Strengths

• Long track record of the promoters in the control systems and automation industry

MAC is promoted by Mr. Nagarajan who also manages the day to day operations of the firm. Mr. Nagarajan, has a postgraduate degree (M.Tech) in Control Systems from the Coimbatore University. He has an experience of around three decades in the control panel and automation industry, which lends operational strength to the firm. Acuite believes that MAC will continue to benefit from its experience in the said industry and its relations with large players in the automation industry over near to medium term. On account of its established presence in the industry, MAC has been able to build esteemed client profile such as Mitsubishi Electric India Pvt. Ltd. (MEIPL) and Rockwell Automation (RA), among others.

Weaknesses

• Average financial risk profile

The financial risk profile is average marked by low net worth and average debt protection measures and low gearing. The net worth of the company is low at around Rs.7.17 crore as on 31 March, 2019 (Provisional) as against Rs.6.65 crore as on 31 March, 2018. The improvement in net worth is on account of accretion to reserves. The firm has followed a moderately aggressive financial policy as reflected by peak gearing of 1.01 times over the last three years through 2017-18. The gearing of the company has further improved to around 0.89 times as on March 31, 2019 (Provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.57 times as on 31 March, 2019 (Provisional) as against 2.52 times as on 31 March, 2018.

The moderate revenue levels coupled with average operating margins have resulted in average debt protection measures. Interest Coverage Ratio (ICR) remained moderate at 2.54 times in FY2019 (Provisional) and 2.52 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.11 times as on 31 March, 2019 (Provisional) as against 0.12 times as on 31 March, 2018. Debt Service Coverage Ratio (DSCR) stood at 0.44 times for FY2019 (Provisional) as against 1.43 times

in FY2018. Acuite believes that the financial risk profile of MAC will continue to remain average over the medium term.

• **Moderate working capital intensive operations**

MAC has moderate working capital operations as evident from Gross Current Asset (GCA) of 129 days as on March 31, 2019 (Provisional) as against 141 days as on March 31, 2018. Moderate GCA days are driven by debtors of 85 days as on March 31, 2019 (Provisional) as against 104 days in the previous year. The inventory days stood moderate at 33 in FY2019 (Provisional), however, it is in line with the inventory holding levels of MAC. Inventory is expected to be around similar levels over the medium term. Working capital requirement is funded through bank lines that have been 95 percent utilised over the six months through March 2019. Acuite believes that the operations of MAC are likely to remain moderately working capital intensive over the medium term.

Liquidity Position

MAC has stretched liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of ~Rs.0.70-0.77 crore during the last three years through 2018 - 19, while its maturing debt obligations were in the range of ~Rs.0.30-2.30 crore over the same period. The cash accruals of the company are estimated to remain at around Rs. 0.61-1.07 crore during 2019-21. The company's operations are moderate working capital intensive as marked by Gross Current Asset (GCA) days of 129 in FY 2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs.0.01 crore as on March 31, 2019 (Provisional). The current ratio of the company stood moderate at 1.32 times as on March 31, 2019 (Provisional). Acuite believes that the liquidity of the company is likely to improve over the medium term on account of healthy cash accrual while its maturing debt obligations are estimated to be in the range of ~Rs.0.17-0.27 crore.

Outlook: Stable

Acuite believes that the outlook on MAC's rated facilities will remain 'Stable' over the medium term on account of its promoter's extensive experience and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	39.74	48.49	42.02
EBITDA	Rs. Cr.	1.19	2.03	1.62
PAT	Rs. Cr.	0.56	0.57	0.60
EBITDA Margin	(%)	2.99	4.19	3.86
PAT Margin	(%)	1.41	1.18	1.42
ROCE	(%)	7.70	14.38	26.12
Total Debt/Tangible Net Worth	Times	0.89	1.01	0.95
PBDIT/Interest	Times	2.54	2.52	2.87
Total Debt/PBDIT	Times	5.30	3.28	3.44
Gross Current Assets (Days)	Days	129	141	157

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

Not applicable

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-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Sanket Kotkar Analyst - Rating Operations Tel: 02249294073 sanket.kotkar@acuiteinratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

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