

Press Release

MAXWELL AUTO COMPONENTS PRIVATE LIMITED

October 16, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 13.35 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) on the Rs. 13.35 crore bank facilities of MAXWELL AUTO COMPONENTS PRIVATE LIMITED. The outlook is '**Stable**'.

Maxwell Auto Components Private Limited (MACPL) incorporated in 2011 commenced operations in the manufacture of grey iron and SG iron castings from 2013. The Coimbatore-based company has installed capacity of 10800 metric tons per year for rough casting (liquid metal) with current utilisation of 90 percent. The company supplies components to various industries including pump and hydraulics. It also caters to the railways and automobile industry (passenger cars, two wheelers, tractors). The day-to-day operations are led by Mr. A Chandrasekaran.

Key Rating Drivers**Strengths****• Experienced management**

The company was incorporated in 2011 by Mr. A Chandrasekaran, Mr. Saravanan, Mr. K Rajendren, Mr. M Veeramani and others who possess more than a decade of experience in the manufacturing industry.

• Reputed clientele

The company caters to reputed clients such as CRI Pumps, Rane TRW Steering Systems Private Limited, Rambal Limited (Part of Sriram Group), Marks Engineering Works to name a few.

• Improvement in operating margins

The operating margins improved to 13.26 percent in FY2016-17 from 7.11 percent in FY2015-16 on account of significant decline in raw material prices. Prices of iron, the major raw material are volatile in nature. Significant change in prices due to import pressure or supply impact margins and the financial risk profile of the company.

Weaknesses**• Limited track record and modest scale of operations**

MACPL commenced commercial operations in 2013 and hence the scale of operations is modest. The operating income declined to Rs.28.44 crore in FY2016-17 from Rs.32.70 crore in FY2015-16 on deferment of delivery by end customers. The company registered revenue of Rs.19.28 crore from April 2017 - September 2017 (Provisional).

• Average financial risk profile

The financial risk profile is average marked by net worth of Rs.7.44 crore as on 31 March, 2017 compared to 7.34 crore in the previous year. The gearing improved to 1.91 times as on 31 March, 2017 from 2.14 times as on 31 March, 2016. The total debt comprises term loan of Rs.7.53 crore, unsecured loan of Rs.0.86 crore and short term working capital funds of Rs.5.82 crore as on 31 March, 2017. The Interest coverage ratio stood at 1.95 times in FY2016-17. The company, with debt obligation of Rs.1.82 crore in FY2017-18, needs to generate adequate cash flows to repay the same. The DSCR stood at 0.99 times in FY2016-17. The

net cash accruals against total debt stood at 0.13 times in FY2016-17.

• Working capital intensive operations, stretched liquidity

The operations are working capital intensive marked by Gross current assets days of 218 in FY2016-17 (PY: 154). This was on account of inventory holding days which increased to 105 in FY2016-17 from 68 in FY2015-16. Further, the debtor receivable days rose to 120 days in FY2016-17 from 66 days in FY2015-16. The liquidity is stretched marked by instances of overdrawing in the cash credit facility in April, May, June and August, 2017. The average cash credit utilisation for six months ended September 2017 stood at 100 percent.

Analytical Approach

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

Outlook: Stable

SMERA believes that MACPL will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while achieving improvement in profitability. Conversely the outlook may be revised to 'Negative' in case of high working capital requirements increasing pressure on margins or if the company undertakes capex deteriorating the financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17, MACPL reported PAT (profit after tax) of Rs.0.10 crore on operating income of Rs.28.44 crore compared with net loss of Rs.2.50 crore on operating income of Rs.32.70 crore in the previous year. The net worth stood at Rs.7.44 crore as on 31 March, 2017 compared to Rs.7.34 crore in the previous year.

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

CARE in its press release dated May 10, 2017 had inter-alia mentioned the following 'CARE has been seeking information from Maxwell Auto components Private Limited to monitor the rating(s) vide e-mail communications/ letters dated February 06, 2017, February 13, 2017, March 11, 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines CARE's rating on Maxwell Auto components Private Limited's bank facilities and will now be denoted as CARE B+; ISSUER NOT COOPERATING'

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smera.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
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Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.75	SMERA B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	6.60	SMERA B / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B / Stable

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ABOUT SMERA

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