

Press Release

Maco Private Limited

20 November, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	SMERA B+/ Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+** (read as SMERA B plus) and short term rating of '**SMERA A4**' (read as SMERA A four) on the above mentioned bank facilities of Maco Private Limited (MPL). The outlook is '**Stable**'.

The Delhi-based Maco Private Limited (MPL) was incorporated in 1956. The company is engaged in the manufacturing of piston, pins, crank pins, and connecting rods for two wheelers. MACO is an ISO 9001:2008 certified company.

Key rating drivers

Strengths

Experienced management and established track record of operations

MPL, incorporated in 1956 by Mr. Manohar Lal Aggarwal, commenced operations in 1959. The promoter possesses extensive experience in the industry.

Weaknesses

Moderate financial risk profile

MPL has moderate financial risk profile marked by tangible net worth of Rs. 7.68 crore as on 31 March, 2017 as against Rs. 7.57 crore in the previous year. The networth includes unsecured loan of Rs. 2.99 crore as on 31 March, 2017 considered as quasi equity. The adjusted gearing stood at 1.58 times as on 31 March, 2017 as against 1.80 times in the previous year. The debt of Rs. 12.16 crore mainly consists of term loans of Rs. 6.89 crore and working capital borrowings of Rs. 5.27 crore as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood at 1.30 times for FY2017 as against 1.37 times in the previous year. The Debt Service Coverage Ratio (DSCR) stood at 0.63 times for FY2017 as against 0.81 times in the previous year. The Total outside Liabilities/Tangible net worth (TOL/TNW) stood at 1.95 times as on 31st March, 2017 as against 2.26 times in the previous year. The Net cash accruals/total debt (NCA/TD) stood at 0.04 times as on 31st March, 2017 as against 0.06 times in the previous year. SMERA expects the financial risk profile to improve in the near to medium term on account of repayment of term loans and absence of debt funded capex plans.

Modest scale of operations marked by uneven revenue trend

Despite being in business since 1956, MPL has moderate scale of operations marked by operating income of Rs. 26.99 crore in FY2017 as against Rs. 34.15 crore in FY2016 and Rs. 29.44 crore in FY2015. For the period April 2017 to September 2017, MPL booked revenue of ~Rs. 12.00 crore. SMERA expects revenue growth to be moderate in the near to medium term on account of repeat orders owing to established relations with customers.

Working capital intensive operations

MPL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 279 days in FY2017 compared to 240 days in FY2016. The GCA days are mainly dominated by high inventory of 210 days in FY2017 compared to 148 days in FY2016. The average cash credit utilisation for the past six months stood at ~70 percent. SMERA believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Competitive and fragmented industry

MPL operates in a highly competitive and fragmented industry characterised by large number of unorganised players affecting margins.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Maco Private Limited (MPL) to arrive at the rating.

Outlook – Stable

SMERA believes that MPL 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 healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity – Key Financials

The company reported profit after tax (PAT) of Rs. 0.12 crore on net sales of Rs. 26.99 crore in FY2017 as against PAT of Rs.0.46 crore on net sales of Rs. 34.15 crore in FY2016. The tangible net worth stood at Rs.7.68 crore as on 31 March, 2017 compared to Rs. 7.55 crore as on 31 March, 2016.

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

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

None

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA B+/ Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA A4
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.75	SMERA B+/ Stable

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ABOUT SMERA

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