

## Press Release

### Mahaveer Electric Agencies Madras

May 15, 2019

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 16.00 Cr.
<b>Long Term Rating</b>	ACUITE B+ / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 16.00 crore bank facilities of Mahaveer Electric Agencies Madras (MEAM). The outlook is '**Stable**'.

Chennai based, MEAM is a proprietorship firm established in 1975 by Mr. Sumermal and currently managed by his son, Mr. Suresh Kumar (Proprietor). The firm provides end to end solution in supply of electrical fittings and lighting solutions to industrial, residential and corporate clients. The firm is engaged in supply and distribution of Philips bulbs, Finolex wires, Philips garden bulbs, lamps, luminaries, electric gears, and accessories.

### Analytical Approach

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

## Key Rating Drivers

### Strengths

- **Established track record of operations and experienced management**

MEAM was established in 1975, thus the firm has an operational track record of over four decades in the above mentioned line of business. The proprietor of the firm has an experience of over four decades in the same line of business. The long track record of operations and experience of management has helped the firm develop healthy relationships with its customers and suppliers. Acuite believes that MEAM will sustain its existing business profile on the back of established track record of operations and experienced management.

### Weaknesses

- **Below average financial risk profile**

The financial risk profile of the firm stood below average marked by low net worth, debt protection metrics and coverage indicators. The net worth of MEAM stood at Rs. 3.56 crore as on 31 March 2019 (Provisional) as against Rs. 3.08 crore as on 31 March 2018. The gearing (debt-equity) stood high at 4.81 times as on 31 March 2019 (Provisional) against 5.45 times as on 31 March 2018. The total debt of Rs. 17.13 crore as on 31 March 2019 (Provisional) is entirely working capital borrowings. The coverage indicators are average marked by Interest Coverage Ratio (ICR) at 1.18 times for FY2019 (Provisional) as against 1.15 times for FY2018. This mainly pertains to high interest outgo on delayed payment to its suppliers. Debt to EBITDA stood high at 4.09 times in FY2019 (Provisional) as against 4.82 times in FY2018. Acuite believes that the financial risk profile of the firm is expected to remain below average in the absence of any major debt funded capex in near to medium term.

- **Working capital intensive operations**

The firm has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 281 days for FY2019 (Provisional) as against 277 days for FY2018. The inventory days stood high at 253 days for FY2019 (Provisional) as against 226 days for FY2018. The debtor days stood at 45 days for FY2019 (Provisional) as against 57 days for FY2018. Acuite believes that the firm's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

#### • Intense competition in lighting and electrical works industry

MEAM is exposed to intense competition in the lighting and electrical works segment marked by the presence of several small to mid-sized players.

#### Liquidity Position

The firm has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs. 0.65 crore for FY2019 (Provisional) against no debt obligations for the same period. The cash accruals of the firm are estimated to remain in the range of around Rs. 1.00 crore to Rs. 1.70 crore during 2020-22 against no repayment obligation. The firm's working capital operations are intensive marked by gross current asset (GCA) days of 281 days for FY2019 (Provisional). The firm maintains unencumbered cash and bank balances of Rs. 0.13 crore as on 31 March 2019 (Provisional). The current ratio stands at 1.08 times as on 31 March 2019 (Provisional). Acuite believes that the liquidity of the firm is likely to remain moderate over the medium term on account of moderate cash accrual against no major debt repayments over the medium term.

#### Outlook: Stable

Acuite believes that MEAM will maintain a 'Stable' outlook over the medium term on the back of its experienced management. The outlook maybe revised to 'Positive' in case the firm registers higher-than-expected growth in its revenues and profitability while maintaining its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability or in case of deterioration in the firm's financial risk profile or significant elongation in working capital cycle.

#### About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	49.04	52.32	54.00
EBITDA	Rs. Cr.	4.33	3.49	4.00
PAT	Rs. Cr.	0.51	0.30	0.42
EBITDA Margin	(%)	8.84	6.67	7.41
PAT Margin	(%)	1.03	0.58	0.77
ROCE	(%)	19.96	15.43	17.12
Total Debt/Tangible Net Worth	Times	4.81	5.45	6.68
PBDIT/Interest	Times	1.18	1.15	1.16
Total Debt/PBDIT	Times	4.09	4.82	5.06
Gross Current Assets (Days)	Days	281	277	274

#### 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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
20-Feb-2018	Cash Credit	Long Term	16.00	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	16.00	ACUITE B+ / Stable (Reaffirmed)

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**About Acuité Ratings & Research:**

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