

Press Release

Mac Industries

June 18, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 17.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.17.00 crore bank facilities of MAC INDUSTRIES. The outlook is '**Stable**'.

Mac Industries (MI), a partnership firm based in Valsad (Gujarat) was established in 2014. The partners are Mr. Sagar Sureshbhai Parekh, Mr. Ravi Rasikbhai Parekh and Mrs. Kusum Ramnik Vora. The firm is engaged in manufacturing, export and supply of synthetic organic, aromatic chemicals used in perfumes, soaps, deodorants to name a few. The firm has installed capacity of 7760 Tons Per Annum.

Key Rating Drivers

Strengths

- **Experienced partners**

The partners possess more than a decade experience in similar line of business through their association with other firms in the industry.

- **Moderate financial risk profile**

The financial risk profile is marked by net worth of Rs.6.04 crore in FY2017 as compared to Rs.4.35 crore in FY2016. The firm has low debt to equity ratio of 0.62 times in FY2017. The Interest Coverage Ratio (ICR) also stood comfortable at 4.17 times in FY2017 which has improved from 1.05 times in FY2016. Total outside Liabilities/Tangible Net Worth stood at 0.83 times in FY2017 and 0.01 times in FY2016.

Weaknesses

- **Uneven revenue and margins**

The revenue has declined to Rs.3.94 crore in FY2017 as compared to Rs.11.70 crore in FY2016 and Rs.32.29 crore in FY2015 due to decline in exports which contributes to 80 percent of the revenue. Though the revenue has declined, EBITDA margins have improved to 14.37 percent in FY2017 from 0.91 percent in FY2016 and 7.35 percent in FY2015.

- **Working capital intensive operations**

Mac Industries has working capital intensive operations reflected in high Gross Current Assets (GCA) of 672 days in FY2017 as against 83 days in FY2016. The high GCA days emanates from the high inventory holding of 549 days in FY2017 as against 28 days in FY2016. The receivable days increased from 7 days in FY2016 to 140 days in FY2017. The average working capital limit utilisation stood at ~95 percent in the last six months ended March, 2018.

- **Highly fragmented and competitive industry**

The aromatic chemicals industry is highly fragmented with several organised and unorganised players thereby impacting the firm's margins.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of firm to arrive at the rating.

Outlook: Stable

Acuite believes that firm will maintain a 'Stable' outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of sustained and significant growth in operating income while improving its profitability margins. The outlook may be revised to 'Negative' in case of sustained decline in profitability metrics and/or further increase in financial leverage metrics of the firm.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	3.94	11.70	32.29
EBITDA	Rs. Cr.	0.57	0.11	2.37
PAT	Rs. Cr.	0.02	-0.53	1.07
EBITDA Margin	(%)	14.37	0.91	7.35
PAT Margin	(%)	0.40	-4.53	3.32
ROCE	(%)	1.98	-2.63	27.64
Total Debt/Tangible Net Worth	Times	0.62	0.00	0.35
PBDIT/Interest	Times	4.17	1.05	2.84
Total Debt/PBDIT	Times	6.43	0.00	1.43
Gross Current Assets (Days)	Days	672	83	140

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE BB- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4

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About Acuité Ratings & Research:

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