

Press Release

Magnus Composites Synergies Private Limited

December 11, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 10.00 crore bank facilities of Magnus Composites Synergies Private Limited (MCSPL). The outlook is '**Stable**'.

MCSPL, established in 2010, is an EOU export oriented unit promoted by Mr. Sushil Chandrakant Shah. It is engaged in manufacturing, designing and exporting of Fibreglass reinforced plastic (FRP) corrugated panels, fiberglass roofing sheets, wall panels and architectural products.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of MCSPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The management has an experience of more than a decade in chemical based industry. Mr. Sushil Shah possesses more than a decade of experience in manufacturing plastic based products. The company was primarily engaged in design and manufacture of fibreglass reinforced plastic and corrugated panels.

Weaknesses

- **Weak capital structure**

The financial risk profile is weak and the same is marked by negative net worth of Rs.0.07 crore as on 31 March, 2018 compared to negative Rs.1.25 crore as on 31 March, 2017 and negative gearing of 94.29 times as on 31 March, 2018 compared to negative 6.22 times as on 31 March, 2017. The reason for negative net worth and gearing is due to accumulated losses due to fire occurred in factory in FY2014. The total debt stood at Rs.6.71 crore as on March 2018. The same comprises of short term borrowing of Rs.4.46 crore, unsecured loan of Rs.2.01 crore and term loan of Rs.0.24 crore.

- **Working capital intensive operations**

MCSPL has working capital intensive operations reflected in the GCA days of 365 in FY2018 compared to 311 days in FY2017. This is majorly on account of high inventory holding period of 302 days in FY2018 and 157 days in FY2017. The inventory consists primarily of work in progress and the same has to be maintained to meet the requirement of client.

Outlook: Stable

Acuité believes that MCSPL will maintain 'Stable' outlook over the medium term on the back of experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while improving profitability along with improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	10.39	9.44	8.54
EBITDA	Rs. Cr.	1.76	1.00	0.71
PAT	Rs. Cr.	1.18	0.45	-0.16
EBITDA Margin	(%)	16.89	10.63	8.34
PAT Margin	(%)	11.36	4.81	-1.86
ROCE	(%)	25.10	14.55	17.00
Total Debt/Tangible Net Worth	Times	-94.29	-6.22	-4.60
PBDIT/Interest	Times	4.04	2.18	0.96
Total Debt/PBDIT	Times	3.74	7.49	11.53
Gross Current Assets (Days)	Days	365	311	352

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.80	ACUITE B / Stable
Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	2.20	ACUITE B / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE B / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4

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About Acuité Ratings & Research:

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