Press Release

Maa Bhawani Components and Fabrication Private Limited

D-U-N-S® Number: 91-553-3726

May 13, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' **(read as ACUITE B)** to the Rs. 13.00 crore bank facilities of Maa Bhawani Components and Fabrication Private Limited (MCPL). The outlook is '**Stable**'.

MCPL was incorporated in 2005 and started its commercial production from 2007. The company is currently engaged in the process of precision machining of components having application in automobile industry and construction equipment manufacturing industry. MCPL is promoted by Mr. Ajay Kumar Singh. The manufacturing facility is located at Jharkhand.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

  The key promoter of the company, Mr. Ajay Kumar Singh possess more than two decades of experience in the same line of business. The extensive experience of the promoter has helped the company to establish long standing relations with its suppliers and customers. The company is well supported by second line of management.

- **Reputed clientele and location advantage**

  The manufacturing unit of the company is located at close proximity with the customers for whom job work is done. The input materials are available locally making it advantageous for the company. The job work by the company is for tier 1 ancillary company who supplies to top players in automobile industry at Jamshedpur. The company works with reputed clientele and has been able to get recurring orders from them.

Weaknesses

- **Average financial risk profile**

  The company has moderate financial risk profile as marked by net worth of Rs.1.55 crore as on 31 March, 2018 as compared to Rs.1.49 crore as on 31 March, 2017. The gearing (debt to equity) stood comfortable at 3.40 times for FY2018 as compared to 3.33 times for FY2017. The Interest Coverage Ratio has declined from 14.53 times for FY2017 to 5.82 times for FY2018. The DSCR stood at 2.23 times for FY2018.

- **Project execution risk**

  The company is planning to set up production of wide range of forged auto components inorder to provide independence to its existing machining unit. The project is still at nascent stage and it would be operable only from November 2019, on timely execution of the same. The capacity of the planned forging unit is proposed to be 2500 metric tonnes with an estimated cost of project being Rs. 12.25 crore and additional working capital requirement of Rs.1.1 crore. The funding for the mentioned proposal is said to be obtained via Term Loan facility of Rs. 8.00 crore and Cash Credit facility of Rs. 3.00 crore and rest to be funded by the promoter. The execution of the project on timely basis is essential for the expected growth foreseen by the company.

- **Small scale of operations**

  The company has scale of operations as marked by limited operating income of Rs.0.90 crore for FY18 as compared to Rs.0.67 crore for FY17. However, PAT margins declined at the same time from 9.61 percent for FY17 to 6.47 percent for FY18. MCPL operates in a highly competitive and fragmented industry characterised by large number of unorganised players.

Liquidity Position:

The Liquidity of MCPL is average with net cash accruals of Rs.0.33 crore as against its repayment obligation of Rs.0.21 crore for FY2018 and is expected to improve going forward. The company has seen marginal improvement in current ratio from 0.97 times in FY2017 to 1.10 times in FY2018. NCA/TD stood 0.23 times in FY2018 which has declined from 0.29 times in FY2017. Currently, the company has not availed any working capital facility and it completely relies on internal accruals and unsecured loans from promoters to manage its working capital.

Outlook: Stable

Acuité believes that MCPL will be able to maintain a 'Stable' business risk profile in medium term on the back of long standing experience of the promoter in the business. The outlook may be revised to 'Positive' in case of significant improvement in operation and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile due to delay in project execution or stretch in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	0.90	0.67	0.83
EBITDA	Rs. Cr.	0.41	0.30	0.27
PAT	Rs. Cr.	0.06	0.06	0.08
EBITDA Margin	(%)	45.59	44.78	32.49
PAT Margin	(%)	6.47	9.61	9.29
ROCE	(%)	5.07	3.39	8.96
Total Debt/Tangible Net Worth	Times	0.90	0.67	0.30
PBDIT/Interest	Times	5.82	14.53	18.99
Total Debt/PBDIT	Times	3.40	3.33	1.60
Gross Current Assets (Days)	Days	250	236	199

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
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.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)

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
Term loans	Not Applicable	Not Applicable	Not Applicable	0.97	ACUITE B / Stable
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE B / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B / Stable
Proposed bank Facility	Not Applicable	Not Applicable	Not Applicable	1.03	ACUITE B / Stable

Contacts

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