

Press Release

Maestros Electronics And Telecommunications Systems Limited

May 17, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 26.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 26.00 crore bank facilities of Maestros Electronics And Telecommunications Systems Limited (METSL). The outlook is '**Stable**'.

Mumbai based, METSL is a public limited company listed on BSE, was incorporated in 2010. The company is engaged in the business of Healthcare, Telemedicine and various other IT enabled Medical and other electronic equipments and solutions. The company manufactures medical equipments such as ECG machines, Patient monitor, Defibrillator, Pulse Oximeter among others.

The company also provides telemedicine solutions such as Tele ECG, Event recorder, Rehab solution and Ambulatory System among others and provides financial inclusion solution consisting of components including Micro ATM, Biometric Authentication, Smart Card reader and Receipt printing among others. The company has currently received an order from Ministry of Defence (Indian Navy) worth Rs. 91.66 crore for medical equipments and telemedicine. The Directors of the company are Mr. Balkrishna K. Tendulkar, Mr. Narendra P. Mahajani, Mr. Nitin S. Paranjape, Mr. Kiran Bhide and Dr. Vasundhara Atre.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

The company was incorporated in 2010, thus has an operational track record of almost a decade in the aforementioned line of business. Mr. Balkrishna K. Tendulkar (Managing Director) is a B. E. (Instrumentations) and Post Graduate Diploma in Business Management (PGDBM) from University of Mumbai. He had been associated with K. E. M Hospital, Mumbai with Research & Development team for almost 8 years. Mr. Nitin Paranjape is a M.D (Gynaecology) having an experience of over three decades. Mr. Kiran Bhide is a B.E (Mechanical) and MBA with vast experience in the industry. Further, Mr. Narendra Mahajani is a B.Com, FCA & FICWA having over 25 years of experience. Also, Dr. Vasundhara Atre, M.B.B.S, M.D with expertise as Anaesthesiologist, Cardiac Anaesthesiologist and Liver Transplant Anaesthesiologist. This has helped the company maintain long standing relations with customers and suppliers and also reflected in orders received from Ministry of Defence (Indian Navy). Acuité believes that the company will sustain its existing business profile on the back of experienced management.

• Niche Business profile

METSL operates in a very niche line of business with limited competitors in Indian Market. The company is engaged in the business of Healthcare, Telemedicine and various other IT enabled Medical and other electronic equipments and solutions. The USP of the company is telemedicine which connects two hospitals at situated in two different locations on a real time basis. This innovation has also helped the company get order from Ministry of Defence (Indian Navy) worth Rs. 91.66 crore to be executed in near to medium term. Acuité believes the

company's business risk profile will improve in near to medium term backed by niche and innovative business being adapted by various players in the market.

- **Moderate financial risk profile**

The financial risk profile of the company stood moderate marked by moderate net worth, debt protection metrics and coverage indicators. The net worth of METSL stood at Rs. 14.96 crore as on 31 March, 2019 (Provisional) as against Rs. 12.90 crore as on 31 March, 2018. The gearing (debt-equity) stood at 0.17 times as on 31 March, 2019 (Provisional) as against 0.12 times as on 31 March, 2018. The total debt of Rs. 2.56 crore as on 31 March, 2019 (Provisional) mainly comprises Rs. 2.28 crore of working capital borrowings and Rs. 0.29 crore of long term debt. The coverage indicators stood healthy marked by Interest Coverage Ratio (ICR) which stood at 4.36 times for FY2019 (Provisional) as against 1.74 times for FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.39 times in FY2019 (Provisional) as against 0.08 times in FY2018. Debt to EBITDA stood at 1.97 times in FY2019 (Provisional) as against 4.55 times in FY2018. Acuité believes that the financial risk profile of the company is expected to remain moderate backed by moderate net cash accruals and in the absence of any major debt funded capex in near to medium term.

Weaknesses

- **Modest scale of operations**

Operating income of METSL remained stagnant at Rs. 9.51 crore in FY2019 (Provisional) as against Rs. 9.49 crore in FY2018. Acuité believes that the revenues are expected to improve on account of order received from Indian Navy of Rs. 91.66 crore which is to be executed by FY2021 showing revenue visibility over near to medium term.

- **Working capital intensive operations**

The company has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 202 days for FY2019 (Provisional) as against 189 days for FY2018. The debtor days stood at 103 days for FY2019 (Provisional) as against 90 days for FY2018. The inventory days stood at 95 days for FY2019 (Provisional) as against 83 days for FY2018. Acuité believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

- **Project implementation risk**

METSL has received an order from Ministry of Defence for implementation of Telemedicine in Indian Naval Ships/ Submarines and Hospitals. The total project granted is worth Rs. 91.66 crore and is expected to be completed by FY2021. Also, the financial closure for the same is yet to take place. Hence, timely sanction by the bank and/or any significant delays in implementation of the project or any cost overrun will remain a key rating sensitivity factor.

Liquidity Position

The company has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 1.00 crore for FY2019 (Provisional) while its maturing debt obligations were Rs. 0.44 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 2.00 crore to Rs. 5.00 crore during 2019-21 against no repayment obligation. The company's working capital operations are intensive marked by gross current asset (GCA) days of 202 days for FY2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs. 0.12 crore as on 31 March 2019 (Provisional). The current ratio stands at 1.91 times as on 31 March 2019 (Provisional). Acuite believes that the liquidity of the company 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

Acuité believes that METSL 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 company 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 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

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited)

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	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	9.51	9.49	12.89
EBITDA	Rs. Cr.	0.84	0.04	1.52
PAT	Rs. Cr.	0.34	-0.23	0.73
EBITDA Margin	(%)	8.80	0.44	11.81
PAT Margin	(%)	3.56	-2.40	5.67
ROCE	(%)	4.71	0.75	8.75
Total Debt/Tangible Net Worth	Times	0.17	0.20	0.32
PBDIT/Interest	Times	4.36	1.74	5.45
Total Debt/PBDIT	Times	1.97	4.55	1.94
Gross Current Assets (Days)	Days	202	189	172

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>
- Entities In Services Sector- <https://www.acuite.in/view-rating-criteria-8.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
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB+ / Stable
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE A4+

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About Acuité Ratings & Research:

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