

Press Release

Maan Decorators

D-U-N-S® Number: 67-720-9455



July 24, 2019

Rating Assigned

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

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE BB**) on the Rs. 10.00 crore bank facilities of MAAN DECORATORS. The outlook is '**Stable**'.

Maan Decorators (Maan) is a Hyderabad based partnership firm established in the year 2007, promoted by Mr. Sajjan Kumar Maan and family. It is engaged in providing event management services by providing event related materials and equipment on rent for government functions, wedding events, exhibitions, product lunches among others. The material and equipment supplied by the firm are super structures, aluminum structures, exhibition facades and stalls, weather sheds, tents, event decoration and air conditioning among others. The firm receives 90 percent of its orders from state government of Andhra Pradesh and Telangana. .

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The firm is promoted by Mr. Sajjan Kumar Maan and family who possess more than two decades of experience in the event management services. The promoters have healthy relations with the government bodies in Telangana and Andhra Pradesh region, which is reflected in healthy revenue growth by two fold from Rs.18.57 crore in FY2017 to Rs.23.02 crore in FY2018 and Rs.38.24 crore in FY2019 (Provisional). The promoters also have other entities - Maan Tent Works and Maan Events & Entertainments Private Limited. Both are into similar lines of business, however they cater to private clients. Acuité believes that the firm will benefit from the experienced management and long track record of operations over the medium term.

- **Comfortable financial risk profile**

Financial risk profile of the firm is comfortable marked by healthy gearing (Debt-Equity), total outside liabilities to total net worth (TOL/TNW) and healthy debt protection metrics though partly constrained by modest net worth. The gearing (debt-equity) and TOL/TNW are healthy at 0.67 and 0.98 times as on 31 March, 2019 (Provisional) as against 1.33 and 1.92 times as on 31 March, 2018. Net worth is modest at Rs.9.42 crore as on 31 March, 2019 (Provisional) as against Rs.7.14 crore as on 31 March, 2018. Of the total debt of Rs.6.35 crore as on 31 March, 2019 (Provisional), long term debt stood at Rs.3.30 crore, unsecured loan of Rs.0.07 crore and short term debt stood at Rs.2.97 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) are healthy at 7.33 times and 0.59 times in FY2019 (Provisional) as against 3.71 times and 0.27 times in FY2018, respectively. The firm reported net cash accruals (NCA) of Rs.3.73 crore in FY2019 (Provisional). The firm is planning to do capital expenditure of Rs.5.00 crore for construction of warehouse building of 5440 sq. yards at Vijayawada. The same is expected to be funded through term loan of Rs.4.00 crore and remaining through internal accruals/Partner's contribution. Cash accruals are expected in the range of Rs.4-5 crore, against the repayment obligations of about Rs.1-1.5 crore. Acuité believes that with moderate cash accruals to its repayment obligations, the financial risk profile continues to be at similar levels

over the medium term.

- **Efficient working capital cycle**

Working capital cycle of the firm is efficient marked by comfortable gross current asset (GCA) of 40 days for FY 2019 (Provisional) which improved from 128 days for FY 2018. This is mainly on account of improvement in debtor cycle to 33 days in FY2019 (Provisional) from 115 days in FY2018. Maan offers credit of about 45-60 days to its clientele, and the year-end position is more of a reflection of revenue spread in the last quarter. Further, debtor's cycle improved due to better negotiation with the customers. Operations spread across with moderate credit period leading to high utilisation of its bank lines at about 90 percent for the last six months through April 2019. Acuité believes that with moderate accruals, the working capital cycle is expected to be comfortable over the medium term

Weaknesses

- **Modest scale of operations**

Revenues of the firm are modest at Rs.18.57 crore in FY2017, Rs.23.02 crore in FY2018 and Rs.38.24 crore in FY2019 (Provisional), through improving Y-o-Y. Profitability of the firm declined to 13.13 percent in FY2019 (Provisional) as against 16.39 percent in FY2018 due to increase in employee cost backed by revenue growth. Acuité believes that the ability of the firm to increase the scale of operations while maintaining stable profitability would be key rating sensitivity factor over the medium term.

- **Competitive and fragmented industry**

MD operates in a highly competitive and fragmented industry characterized by large number of unorganized players affecting margins.

- **Project execution risk**

The firm is planning a debt funded capital expenditure of Rs.5.00 crore for construction of warehouse building of 5440 sq. yards at Vijayawada. The same is expected to be funded through term loan of Rs.4.00 crore and remaining through internal accruals/Partner's contribution. The project is expected to start by the end of June 2019, and is expected to be completed in 12 months period. Any delay in disbursement of the loan or delay in execution or any cost overrun of the project will impact the accruals of the firm.

Liquidity position

Maan's liquidity is stretched marked by moderate net cash accruals though partly constrained by high bank limit utilisation. The firm reported cash accruals of Rs.4.34 crore for FY2019 (provisional). The cash accruals of the firm are estimated to remain at around Rs.4-5 crore during 2019-21, against which its repayment obligations are about Rs.1-1.50 crore. However, bank limit utilisation is high at 90 percent for six months through April 2019. The firm is also planning moderate capex of Rs.5.00 crore. The current ratio is weak at 0.58 times as on March 31, 2019 due to stretch in creditors. Acuité believes that the liquidity of Maan is likely to remain stretched over the medium term.

Outlook: Stable

Acuité believes that Maan will maintain a 'Stable' outlook over the medium term owing to it experienced management and steady flow of orders. The outlook may be revised to 'Positive' if the firm generates significant growth in its revenues while maintaining the profitability. Conversely, the outlook may be revised to 'Negative' if there is any stretch in its working capital cycle or any cost overrun will lead to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	38.24	23.02	18.57
EBITDA	Rs. Cr.	5.02	3.77	2.99
PAT	Rs. Cr.	1.81	1.11	0.84
EBITDA Margin	(%)	13.13	16.39	16.11
PAT Margin	(%)	4.75	4.81	4.53
ROCE	(%)	19.15	16.43	17.17
Total Debt/Tangible Net Worth	Times	0.67	1.33	1.35

PBDIT/Interest	Times	7.33	3.71	3.51
Total Debt/PBDIT	Times	1.26	2.52	2.29
Gross Current Assets (Days)	Days	40	128	122

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BB / Stable

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About Acuité Ratings & Research:

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