

Press Release

Maan Decorators

November 21, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.16.00 Cr. (Enhanced from Rs.10.00 Crore)
Long Term Rating	ACUITE BB / Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.16.00 crore bank facilities of Maan Decorators (Maan). 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 and event related materials and equipment on rent for government functions, wedding events, exhibitions, and product lunches among others. The material and equipment supplied by the firm include super structures, aluminum structures, exhibition facades and stalls, 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.38.24 crore in FY2019

Acuité believes that the firm will benefit from the experienced management and its long track record of operations over the medium term.

- **Moderate financial risk profile**

The firm has followed a conservative financial policy in the past; the same is reflected through its peak gearing (debt/tangible net worth) and total outside liabilities to tangible net worth (TOL/TNW) levels of 1.35 times and 2.01 times as on March 31, 2017. The leverage levels have marginally improved with gearing of around 0.88 times as on March 31, 2019. Net worth stood modest at Rs.8.00 crore as on March 31, 2019 as against Rs.7.14 crore as on March 31, 2018. The firm incurred capex of Rs.10 crore over the last three years to expand its scale of operations. Maan's moderate cash accruals to the tune of about Rs.2-3.5 crores over the last three years through FY2019 have supported in minimizing the reliance on external debt leading to moderate gearing and debt levels of 0.88 times and Rs.7.06 crores as on March 31, 2019. Interest coverage ratio (ICR) stood comfortable at 5.95 times in FY2019 as against 3.71 times in FY2018. The firm is planning to build warehouse in Vijayawada with the total project cost of Rs.5 crore to be funded through term loan and equity in the ratio of 80:20. Maan's cash accruals over the next two years through FY2021 are estimated to remain in the range of Rs.4-5 while estimated repayment obligations will be about Rs1.5-2 crore. As a result, the gearing is expected to be around 1.2-1.3 times as on March 31, 2021. Acuité believes that the financial risk profile is expected to be moderate over the medium term.

Weaknesses

- **Decline in profitability and exposes to geographic concentration risk**

Operating margins of the firm declined to 12.98 percent in FY2019 from 16.39 percent in FY2018 due to increase in employee cost and logistics cost. Further, the firm is exposed to geographic concentration risk as they mainly cater to government bodies of Telangana and Andhra Pradesh state. Large number of organized and unorganized players in the event management business and low entry barriers, will limit bargaining power with the customers.

- **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 December 2019, and is expected to be completed in 12 months period. Any delay in execution or any cost overrun of the project will impact liquidity of the firm.

Sensitivity Analysis

- Increase in scale of operations while maintaining stable profitable margins.
- Higher than expected debt funded capital expenditure leading to deterioration of financial risk profile and liquidity.

Material Covenants

None

Liquidity position: Stretched

Maan's has stretched liquidity marked by moderate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.2 to 3.5 crore during the last three years through 2018-19, while its maturing debt obligations were in the range of Rs.0.5-1.5 crore over the same period. The cash accruals of the firm are estimated to remain around Rs.4-5 crore during 2020-22 while its repayment obligation are estimated to be around Rs. 1.5-2 Crore. Working capital cycle is comfortable as marked by gross current asset (GCA) days of 40 in FY 2019 due to debtor's cycle of 31 days in FY2019. The cash credit limit in the firm remains utilized at 95 percent during the last 6 months period ended October 2019. The firm maintains unencumbered cash and bank balances of Rs.0.13 crore as on March 31, 2019. The current ratio of the firm stand weak at 0.52 times as on March 31, 2019 due to stretch in creditors. The firm is likely to incur debt funded capex of Rs.5 crore, which is likely to be funded by external debt and equity in the ratio of 80:20. Acuite believes that the liquidity of the firm is likely to remain stretched due to moderate accruals to repayment obligations and debt funded capital expenditure program.

Outlook: Stable

Acuité believes that Maan will maintain a 'Stable' outlook over the medium term owing to its 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 in debt funded capex will lead to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	38.21	23.02	18.57
EBITDA	Rs. Cr.	4.96	3.77	2.99
PAT	Rs. Cr.	1.68	1.11	0.84
EBITDA Margin	(%)	12.98	16.39	16.11
PAT Margin	(%)	4.40	4.81	4.53
ROCE	(%)	19.65	16.43	17.17
Total Debt/Tangible Net Worth	Times	0.88	1.33	1.35
PBDIT/Interest	Times	5.95	3.71	3.51
Total Debt/PBDIT	Times	1.42	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

"Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups"

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

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
24-Jul-2019	Cash Credit	Long Term	3.00	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	2.50	ACUITE BB / Stable (Assigned)
	Proposed	Long Term	4.50	ACUITE BB / Stable (Assigned)

***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 (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB / Stable (Reaffirmed)
Proposed Bank facility	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE BB / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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