

September 27, 2017

McCoy Architectural Systems Private Limited

Summary of Rated Instruments

Instrument*	Rated Amount (in Rs. crore)	Rating Action
Term Loans	4.00 (reduced from 7.50)	[ICRA]BBB-(Stable); Reaffirmed
Cash Credit	4.00 (reduced from 5.00)	[ICRA]BBB-(Stable); Reaffirmed
Non-fund Based Limits	17.00 (enhanced from 12.50)	[ICRA]A3; Reaffirmed
Total	25.00	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus)¹ for the Rs 4.00 crore² term loans (reduced from Rs 7.50 crore) and the Rs 4.00 crore cash credit (reduced from Rs 5.00 crore) limits of McCoy Architectural Systems Private Limited ('McCoy' or 'the company'). ICRA has also reaffirmed the short-term rating of [ICRA]A3 (pronounced ICRA A three) for the Rs 17.00 crore non-fund based limits of McCoy. The outlook on long-term rating is Stable.

Rationale

The reaffirmation of ratings continues to take into account the long standing experience of promoter and established track record of the company in supplying engineering architectural systems; McCoy's diversified product portfolio; and its reputed and diversified client base comprising government and various private corporate. The ratings also favourably factor in the comfortable capital structure and satisfactory debt coverage indicators of the company as on March 31,2017. The ratings, however, continue to remain constrained by the company's modest and volatile scale of operations; fluctuating profitability indicators; and susceptibility of its operations to slowdown in infrastructure projects. The ratings also factor in the vulnerability of the company's profitability to adverse movements in raw material prices; and pricing pressures arising out of stiff competition from a large number of smaller players. Further, ICRA also takes note of the company's sizeable ongoing debt funded capital expenditure (capex) plan for setting up a new fabrication and research and development facility at Pune. Timely execution of this capex without any significant cost overrun and achievement of optimal capacity utilization levels at the earliest so as to generate commensurate returns would remain key rating considerations.

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

² 100 lakh = 1 crore = 10 million

Key rating drivers

Credit strengths

- **Longstanding experience of the promoter and established track record of the company in supplying engineering architectural systems** – McCoy was established in the year 1994 and has a long track of supplying engineering architectural systems. The company is managed by Mr. Ajay Atreya who has over two decades of experience in the industry. McCoy has successfully delivered architectural roofing systems for prestigious projects such as ‘Mumbai Airport - Terminal 1B’, ‘D.Y.Patil Stadium – Navi Mumbai’ and ‘CWG 2010 Games Village’ in the past.
- **Diversified product portfolio** – McCoy mainly caters to two distinct segments, namely the Glass Façade solutions and the Architectural Roofing Systems. In the Façade solutions, the products primarily include - curtain walls, frameless glass, point glazing systems and aluminium composite panels; and for the roofing solutions, products include - space frame structures, tensile membrane structures, skylight structures and insulated roofs. The company has distinguished itself from the competitors through its ability to design and execute aluminium as well as steel structures.
- **Diversified and reputed client base** – McCoy’s customer portfolio includes a mix of clients from the corporate segment, builders, developers and government agencies. The company in the past has executed projects for reputed clients like the Airport Authority of India, Adani group, JSW steel, Reliance Infrastructure etc.
- **Comfortable capital structure and satisfactory debt coverage indicators** – The company has maintained a healthy capital structure from the last five years on account of limited reliance on external borrowings. As of March 31,2017, the gearing stood at 0.65 time. The debt coverage indicators also remain satisfactory as on March 31,2017 as reflected by interest coverage of 7.26 times and NCA/Total Debt of 15%, though the same have moderated compared to previous fiscal on account of increased debt levels following the infusion of interest free loans by promoters.

Credit weaknesses

- **Modest scale of operation and fluctuating profitability indicators** – The company’s performance in the last five years has remained volatile as reflected by fluctuating revenues and profitability indicators. After witnessing 20% decline in operating income in FY2016, the company posted a healthy recovery in FY2017 and reported 38% increase operating income. However, at absolute level, the scale of operation continues to remain small as reflected by operating income of Rs 37.91 crore in FY2017. The operating profit margins of the company declined sharply to 4.38% in FY2017 from 7.92% in FY2016 due to pricing pressures arising out of stiff competition and inability to fully pass on the higher steel prices onto customers.
- **Susceptibility of operations to slowdown in infrastructure projects; exposure to stiff competition** – The orderflow for the company mainly depends upon the activities in the infrastructure and construction sectors. McCoy mainly provides its architectural solutions for sports stadium, toll plazas, skywalks, malls, residential and commercial complexes, hotels, theme parks, convention centres, car parks, etc. Any slowdown in such projects impacts McCoy’s prospects, as witnessed from the fluctuating revenues in the past five years. Further, the company faces stiff competition from numerous small players who are willing to take orders at lower prices leading to pricing pressures.
- **Vulnerability of profitability to unfavourable movement in raw material prices** –The key raw materials required by the company are steel plates and coils for fabricating the structures which form bulk of the raw material costs. Apart from this, the company also requires polycarbonate sheets, specialized fabrics, glass etc. which are used for roofing and cladding. The company’s pricing is based on the prevailing market price of steel and remains fixed till completion of project which exposes its profitability to any unfavourable movement in steel prices.
- **Sizeable ongoing capex plan; timely completion of the same and achievement of optimum utilisation levels at the earliest remains critical** – McCoy is in the process of setting up a new

fabrication unit and research and development facility at Pune, Maharashtra due to space constraints at its existing unit in Navi Mumbai. The capital cost involved is sizeable compared to McCoy's current balance sheet size and is proposed to be funded by a mix of term loans (already sanctioned), unsecured loans from promoters and internal accruals. The company has already purchased the leasehold land from MIDC using internal accruals and promoter's funds, and the same is expected to be allotted shortly, post which the company will begin the construction work. Timely completion of this capex without any significant cost overrun and achievement of optimum capacity utilisation levels at the earliest so as to generate commensurate returns would remain key rating consideration.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodology as indicated below.

Links to applicable Criteria:

[Corporate Credit Rating Methodology](#)

About the company:

McCoy Architectural Systems Private Limited (McCoy) was founded in 1994 and is an architectural engineering company that acts as "Creative Engineers" for designers and architects. It provides integrated solutions for Architectural Products like Steel Enclosures (Buildings), Large Span Roofs, Skylights, Tensile Membrane Structures and Glass Façade. McCoy has successfully delivered roofing systems for prestigious projects like 'D Y Patil Stadium – Navi Mumbai', 'CWG 2010 Games Village' and 'Mumbai Airport - Terminal 1B'. McCoy has branch offices in Mumbai, Delhi, Kolkata and manufacturing facilities for steel and fabric fabrication at Navi Mumbai.

As per the provisional financials of FY2017, McCoy reported a profit after tax of Rs.0.77 crore on an operating income of Rs. 37.91 crore, as compared to a profit after tax of Rs. 1.17 crore on an operating income of Rs. 27.41 crore in FY2016.

Key Financial Indicators

Particulars	FY2016 (Audited)	FY2017 (Provisional)
Operating income (Rs. crore)	27.41	37.91
PAT (Rs. crore)	1.17	0.77
OPBDITA/ OI (%)	7.92%	4.38%
RoCE (%)	17.94%	13.82%
Total Debt/ TNW (times)	0.27	0.65
Total Debt/ OPBDITA (times)	1.42	4.20
Interest coverage (times)	4.86	7.26
NWC/ OI (%)	23%	15%

OPBDITA: Operating Profit before Depreciation, Interest, Taxes & Amortisation; PAT: Profit after Tax; RoCE: Return on Capital Employed; NWC: Net Working Capital; OI: Operating Income.

Source: Financial statements of McCoy and ICRA research

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years:
Table:

S. No	Name of Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				September 2017	-	March 2016	November 2014
1	Term Loans	Long Term	4.00	[ICRA]BBB-(Stable)	-	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)
2	Cash Credit	Long Term	4.00	[ICRA]BBB-(Stable)	-	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)
3	Non Fund Based	Short Term	17.00	[ICRA]A3	-	[ICRA]A3	[ICRA]A3

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in



Annexure-1
Instrument Details

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs crore)	Current Rating and Outlook
Term Loans*	-	-	-	4.00	[ICRA]BBB- (Stable)
Cash Credit	-	-	-	4.00	[ICRA]BBB- (Stable)
Non Fund Based	-	-	-	17.00	[ICRA]A3

*not yet availed

Source: McCoy Architectural Systems Private Limited

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