

Majestic Auto Limited

March 22, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loan	7.90	7.90	[ICRA]BBB (Negative); withdrawn
Fund-based	16.00	16.00	[ICRA]BBB (Negative); withdrawn
Non-fund based	14.25	14.25	[ICRA]A3+; withdrawn
Unallocated	11.85	11.85	[ICRA]BBB (Negative); withdrawn
Total	50.00	50.00	

*Instrument details are provided in Annexure-1

Rating action

ICRA has withdrawn the long-term rating outstanding of [ICRA]BBB (pronounced ICRA triple B) for the Rs. 35.75-crore long-term facilities (including Rs. 11.85-crore unallocated lines) of Majestic Auto Limited (MAL or the company). The outlook on the long-term rating was Negative.

ICRA has also withdrawn the short-term rating outstanding of [ICRA]A3+ (pronounced ICRA A three plus) assigned to the Rs. 14.25-crore short-term non-fund based facilities of the company.

Rationale

The long-term and short-term ratings assigned to MAL's bank facilities have been withdrawn at the request of the company based on the no objection certificate provided by its bankers.

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

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Rating Methodology for Auto Component Manufacturers](#)

About the company:

MAL was promoted in 1973 as Majestic Gears Private Limited by Brijmohan Lal Munjal, Om Prakash Munjal and Satyanand Munjal. The company began as a supplier of bicycle components to Hero Cycles Limited and subsequently began manufacturing mopeds for the growing Indian two-wheeler market. MAL continued to diversify into different business areas, such as manufacturing precision sheet metal components in FY2000 and supplying mufflers to Hero Moto Corp Limited (HMCL) in FY2001. MAL also entered into a technical collaboration agreement with Feintool Technologie AG Lyss of Switzerland for manufacturing fine blanking components. In FY2004, MAL demerged its Ghaziabad (Uttar Pradesh) unit to Hero Auto Limited (currently Hero Motors Limited), citing reasons of locational disadvantage and lack of synergy with the Ludhiana (Punjab) unit. MAL continued to diversify into new product lines and began manufacturing electrical motor parts, such as die cast rotors for application in refrigerator compressors, washing machines, power steering and electric fans. Nevertheless, with declining volumes and losses from its mopeds and health equipment division, MAL discontinued the manufacture of these products from January 2009. In FY2015, supply to HMCL was discontinued and the company's manufacturing operations comprised the electrical and fine blanking segments. MAL

has two manufacturing facilities in Ludhiana (Punjab) and one in Greater Noida (Uttar Pradesh). In Q3 FY2017, management started shifting its fine blanking segment from Ludhiana to Greater Noida to rationalise production, optimise manpower as well as transportation costs. During H1 FY2018, the company exited its loss-making businesses such as the electric motor division and the fine blanking division. At present, the company's operations are limited to facility management services, which it forayed into in FY2016.

MAL has a 100% subsidiary as well, Majestic IT Services Limited (Majestic IT), which also offers facility management services as its focus area. In September 2015, MAL acquired an 80% stake in Emirates Technologies Private Limited (ETPL), while the remaining 20% stake was acquired by the promoter Group company, OK Hosiery Mills Private Limited. ETPL is involved in infrastructure development of IT parks for IT/ITeS companies in Noida, known as Knowledge Boulevard.

Key financial indicators (audited)

	FY2016	FY2017
Operating Income (Rs. crore)	123.6	176.8
PAT (Rs. crore)	9.3	-9.8
OPBDIT/ OI (%)	1.5%	0.5%
RoCE (%)	6.7%	-0.2%
Total Debt/ TNW (times)	1.1	1.1
Total Debt/ OPBDIT (times)	97.3	212.9
Interest Coverage (times)	0.1	0.0
NWC/ OI (%)	26.7%	16.9%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

S. No.	Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount O/S (Rs. crore)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
1	Term loan	Long Term	7.90	nil	[ICRA]BBB (Negative); withdrawn Mar 2018	[ICRA]BBB (Negative) Sep 2017	[ICRA]BBB (Stable) Dec 2016	[ICRA]BBB (Stable) Nov 2015	[ICRA]BBB (Stable) Nov 2014
2	Fund-based	Long Term	16.00	-	[ICRA]BBB (Negative); withdrawn	[ICRA]BBB (Negative)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
3	Non-fund based	Short term	14.25	-	[ICRA]A3+; withdrawn	[ICRA]A3+	[ICRA]A2	[ICRA]A2	[ICRA]A2
4	Unallocated	Long Term	11.85		[ICRA]BBB (Negative); withdrawn	[ICRA]BBB (Negative)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)

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

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Term loan			March, 2018	7.90	[ICRA]BBB (Negative); withdrawn
-	Fund-based				16.00	[ICRA]BBB (Negative); withdrawn
-	Non-fund based				14.25	[ICRA]A3+; withdrawn
-	Unallocated				11.85	[ICRA]BBB (Negative); withdrawn

Source: MAL

ANALYST CONTACTS

Subrata Ray

+91 22 6114 3408

subrata@icraindia.com

Anupama Arora

+91 124 4545303

anupama@icraindia.com

Sandhya Negi

+91 124 4545343

sandhya.negi@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

naznin.prodhani@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 6606 9999

© Copyright, 2018 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents