



## Press Release

### Manipal Technologies Limited

June 13, 2023

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u> (Simple/ Complex/ Highly complex)
Long Term Bank Facilities	353.90	IVR A-/ Stable (IVR A Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	35.00	IVR A2+ (IVR A Two Plus)	Assigned	Simple
<b>Total</b>	<b>388.90</b>			

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Manipal Technologies Limited derives strength from established market position backed by long track record and competitive advantage, diversified revenue profile, and reputed clientele and comfortable financial risk profile. The rating is however constrained on account of large working capital requirement, revenue concentration in the BFSI segment, high unsecured loans extended to group companies.

#### Key Rating Sensitivities:

##### Upward Factors

- Steady revenue growth and stable profitability resulting in consolidated gross cash accrual above Rs 200 crore.
- Sustenance of working capital cycle and financial profile

##### Downward Factors

- Lower than expected growth in revenue or operating profitability below 7%
- Sizeable, debt-funded capex, or stretch in the net working capital cycle (beyond 200 days) impacting the liquidity.
- Higher than expected financial support extended to group entities leading to stress on consolidated credit metrics.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Established market position backed by long track record and competitive advantage:**

Manipal Technologies Limited (MTL) is part of Manipal Group and is closely held by the Pai family and have experience of over two decades in the security data printing business. The company holds leading market position in the key BFSI sector and has operations across the country with sufficient in-house capacity. The company faces limited competition because of the stringent security approvals and high compliance cost for key security printing products.

##### **Diversified revenue profile and reputed clientele:**

Manipal Technologies Limited (MTL's) revenue profile on a consolidated basis is diversified with secured printing and stationery business accounting for ~46% of total revenues, followed by plastic and metal cards accounting for ~34% of total revenues, financial inclusion accounting for ~11% and balance from packaging business segment.

MTL's clientele are reputed and have long standing relationships with them over the years and enables to get the company repeat business. The company caters to clientele across BFSI segment, corporates, publishing houses, and government entities. The top 10 clientele accounted for ~50% of the total revenues in FY22.

##### **Comfortable financial risk profile:**

The financial risk profile improved in FY2023 with Total Operating Income (Consolidated) increasing by 26% on a year-on-year basis to Rs. 1750 crores as against Rs. 1374 crores in FY22. The EBITDA margins improved to 10.74% in FY23 as compared to 9.44% in FY22 on account of reduced raw material cost and better overhead cost management. The debt protection metrics as reflected by the overall gearing ratio stood at 0.79x in FY23 (Prov.) as against 1.01x in FY22 and TOL/TNW stood at 1.55x in FY23 (Prov.) as compared to 1.87x in FY22.

The financial risk profile will remain stable over the medium term backed by increasing cash accrual and controlled debt.



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### **Key Rating Weaknesses**

#### **Large working capital requirement**

Operations are working capital intensive, as indicated by gross current assets of 140 days, on account of moderate inventory and high receivables of 50 days and around 90 days respectively. The group has to maintain inventory to cater to regular as well as ad hoc orders and offers credit of 2-3 months to its customers. With increasing revenue, working capital requirement will increase and will remain a key monitorable.

#### **Revenue concentration in the BFSI segment**

Although the group is focusing on diversifying its clientele into telecom, retail and IT, around 60% to 70% of its revenue comes from BFSI, including private and public banks, and insurance companies.

#### **High inter-corporate loans extended**

The total unsecured loans extended stood at INR 140 crores in FY22 and timely receipt of the same remains a key monitorable. Also, any higher-than-expected financial support extended to the group entities resulting in stressed liquidity to remain a key monitorable.

### **Analytical Approach:** Consolidated Approach

For arriving at rating, Infomerics has taken consolidated view of Manipal Technologies Limited (MTL)- and its subsidiaries namely, Manipal Business Solutions Private Limited (100%), Manipal Utility Packaging Solutions Private Limited (100%), MCT Cards & Technology Private Limited. Ltd (79.98%), Manipal Logistics Pvt. Ltd. (100%), Manipal Digital Holdings GmBH (100%), Manipal Holding Limited UAE (100%) together referred to as “Manipal Group”, based on common promoters/ management, cash flow fungibility and strong financial linkages between these entities. Infomerics has analysed the consolidated financial statements to arrive at the ratings.

(Extent of consolidation: Full)



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### Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of Rating Outlook | Infomerics Ratings](#)

### **Liquidity –Adequate**

The liquidity is considered to be adequate as reflected from sufficient internal cash accruals to meet its maturing debt obligations and to meet its capex requirements in the near future. Further, the group has unencumbered cash and bank balance of Rs. 20 crore at Consolidated level as of March 31, 2022. The working capital utilisation of MTL stood at average of ~90% for the past 12 months ended February 2023 on account of elevated inventory levels.

### **About the Company**

Manipal Technologies Limited is a part of the Manipal Group, which started as Syndicate Bank's back office in 1941. It is in the business of printing, facilitating secure transactions, facilitating marketing, branding and communication for key industries such as banking, telecom, education, publishing, consumer goods and retail, financial services, aviation and transport and the government of India.

### Financials (Consolidated):

For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Provisional)
Total Operating Income	1373.66	1750.24
EBITDA	129.73	187.92
PAT	23.43	113.81
Total Debt	466.38	458.40
Tangible Net worth	462.24	578.89
EBITDA Margin (%)	9.44	10.74
PAT Margin (%)	1.67	6.43
Overall Gearing Ratio (times)	1.01	0.79

*\*Classification as per Infomerics standards*



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### Financials (Standalone):

For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Provisional)
Total Operating Income	727.44	851.47
EBITDA	69.54	79.13
PAT	14.22	26.50
Total Debt	299.63	309.36
Tangible Net worth	330.20	361.42
EBITDA Margin (%)	9.56	9.29
PAT Margin (%)	1.90	3.04
Overall Gearing Ratio (times)	0.91	0.86

*\*Classification as per Infomerics standards*

**Status of non-cooperation with previous CRA:** None

**Any other information:** None

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-22	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term loans	Long-term	143.90	IVR A-/Stable	-	-	-
2.	Cash Credit	Long-term	210.00	IVR A-/Stable	-	-	-
3.	Overdraft	Short-term	5.00	IVR A2+	-	-	-
4.	Bank guarantee	Short-term	30.00	IVR A2+	-	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after



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obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term loan	-	-	March 31, 2026	30.00	IVR A-/ Stable
Term loan	-	-	August 10, 2027	38.30	IVR A-/ Stable
Term loan	-	-	November 2027	38.20	IVR A-/ Stable
Term loan	-	-	Oct. 30, 2027	24.40	IVR A-/ Stable
Term loan	-	-	Sept. 30, 2030	5.00	IVR A-/ Stable
Term loan	-	-	March 15, 2024	1.50	IVR A-/ Stable
Term loan	-	-	September 27, 2026	2.60	IVR A-/ Stable
Term loan	-	-	November 2023	3.90	IVR A-/ Stable
Cash Credit	-	-	Revolving	60.00	IVR A-/ Stable
Cash Credit	-	-	Revolving	150.00	IVR A-/ Stable
Bank guarantee			-	30.00	IVR A2+
Overdraft	-	-	-	5.00	IVR A2+

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable.





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Name of the company	Consolidation Approach
Manipal Business Solutions Private Limited	100%
Manipal Utility Packaging Solutions Private Limited	100%
MCT Cards & Technology Private Limited	79.98%
Manipal Logistics Pvt. Ltd.	100%
Manipal Digital Holdings GmBH	100%
Manipal Holding Limited UAE	100%

### **Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/Len-Manipal-Technologies-jun23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/ facilities:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com)