MAK Controls and Systems Private Limited

March 25, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	30.00	CARE BBB+; Stable	Reaffirmed
Long-term / Short-term bank facilities	95.00 (Enhanced from 75.00)	CARE BBB+; Stable / CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of MAK Controls and Systems Private Limited (MAK) continue to factor in the promoters' vast experience, MAK's established and long operational track record of over three decades, its unique product offering supported by in-house research and development (R&D) capabilities, and its ability to imbed technical value addition in products. Ratings also consider the comfortable capital structure, well-established manufacturing facilities, and strategic partnership with leading engineering groups. However, ratings are constrained by the moderate scale of operations, elongated working capital cycle, and concentrated revenue.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors

- Consistently improving scale of operations with total income above ₹200 crore with profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 15% on a sustained basis.
- Diversifying revenue base, and reducing client concentration risk.
- Improving operating cycle to below 200 days.

Negative factors

- Major debt-funded capex plan, leading to deteriorating gearing above 1.00x.
- Significantly elongating collection period, leading to deteriorating operating cycle.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that MAK will continue to sustain its stable operational performance benefiting from its manufacturing capabilities and well-established clientele, and comfortable order book position.

Detailed description of key rating drivers:

Key strengths

Established operational track record and unique product offerings

MAK has been developing and manufacturing engineering equipment for over three decades. Over the years, MAK has been involved in successfully executing development projects for the defence segment, making it a preferred vendor with most defence laboratories for a range of power supply products. MAK is also one of the few companies in the world manufacturing ground power units (GPU) and air starter units (ASU) for the airline industry. The company has been approved by the Directorate General of Aeronautical Quality Assurance (DGAQA) and the Directorate of General Civil Aviation industry (DGCA) for design, manufacture, and supply of GSE for the civil and military aviation industry. MAK designs all its commercial GSE according to AHM standards. In FY24, the company obtained the Approval of a Firm and its Quality Management System (AFQMS) certificate from the DGAQA.

Reputed clientele in the defence and aviation segment

The company's clientele includes reputed players in domestic and export markets, and in defence and commercial aviation sectors, including Indian Air Force, Indian Navy, Indian Military, Heavy Vehicles Factory, Hindustan Aeronautics Limited, Bharat Electronics, Bharat Dynamics Limited, and Larsen and Toubro, among others. The company's established position in domestic and international markets, and expertise developed over three decades, has helped it retain its clients, ensuring repeat orders in the defence and aviation sectors.

Revenue visibility aided by comfortable orderbook position

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

MAK's confirmed order book position as on February 20, 2025, stood at ₹322.62 crore against ₹325.92 crore as on February 29, 2024. The current order book translates to 1.78x of FY24 revenue providing revenue visibility for company in the medium term. With the government's focus on localising defence equipment and spare parts, and efforts to boost defence exports, the company's order book is expected to expand in the medium term.

Healthy capital structure and debt coverage indicators

The company's main working capital requirement is from bank guarantee limits, which are required to be provided upfront until completion of an order. The company also avails interest free customer advance backed by bank guarantee. Overall gearing stood stable at 0.36x (PY: 0.36x) as on March 31, 2024. The company has almost nil term loan outstanding as on March 31, 2024. The interest coverage indicator improved to 13.27x in FY24 compared to 9.48x in FY23.

Key weaknesses

Moderate scale of operations

The company recorded a total operating income (TOI) of ₹180.85 crore in FY24 at a PBILDT margin of 14.39%. The total income marginally improved by 6.93% in FY24 from ₹169.12 crore in FY23. Most orders undertaken take around 12-15 months for completion and revenue recognition is on a percentage of completion basis. The company's TOI upto February 25, 2025, stood at ₹123.02 crore. The PBILDT margins though, slightly moderated from 15.35% in FY23 to 14.39% in FY24, continues to be comfortable in the range of 13-15%.

Elongated working capital cycle

The company is engaged in manufacturing capital-intensive products, which have a relatively long gestation period to manufacture, test, and deliver. Defence payments are made after final testing and installation of products, which take around eight to nine months, while execution and payment cycle takes around three to four months. This keeps the company's receivables level at an average of around four to five months. The company's operating cycle stood elongated, at 244 days in FY24 (PY: 243 days) mainly due to higher collection period of 145 days in FY24, up from 121 days in FY23.

Liquidity: Adequate

The company has adequate liquidity characterised by sufficient accruals against minimal repayment obligations of ₹0.05 crore in FY25. The company has free cash and liquid investments of ₹5.62 crore as on March 31, 2024 (PY: ₹4.62 crore). The company's operating cycle is high at 244 days (PY: 243 days) due to the nature of the industry and requires the company to keep sufficient inventory to ensure the timely supply of critical components. The average fund working capital limits utilisation remained low, at 26.44% and the average utilisation for the non-fund-based limits stood at 92.52% for the for the 12-months period ended December 2024. The current ratio stood comfortable at 4.91x in FY24 against 3.37x in FY23. Unutilised bank borrowings provide cushion to meet short-term exigencies.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Other industrial products

MAK is a Coimbatore-based company engaged in manufacturing power supply systems and other specialised equipment for defence projects and ground support equipment (GSE) for defence and commercial aircraft. MAK was founded and promoted by Athapa Manickam in 1972 as a proprietorship entity "MAK controls", engaged in design and manufacturing digital control panels for applications. Later it ventured into manufacturing GSE for the aviation industry with the liberalisation of Indian economy. In

1994, MAK was renamed and converted into a private limited company. MAK also supplies the fully completed 'knock-down units' of GSEs to its subsidiary in US, 'Air+MAK' (AM), which in turn re-assembles the same and sells to US-based airlines (both commercial and defence segments) after carrying out testing of the units.

Brief financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11mFY25 (P) (Upto February 25, 2025)
Total operating income	169.12	180.85	123.02
PBILDT	25.96	26.02	NA
PAT	16.40	16.68	NA
Overall gearing (times)	0.36	0.36	NA
Interest coverage (times)	9.48	13.27	NA

A: Audited P: Provisional NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash credit		-	-	-	30.00	CARE BBB+; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	95.00	CARE BBB+; Stable / CARE A2

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash credit	LT	30.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (26-Mar-24) 2)CARE BBB+; Stable (07-Jun-23)	1)CARE BBB+; Stable (16-Mar-23)	1)CARE BBB+; Stable (25-Mar-22)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	95.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (26-Mar-24) 2)CARE BBB+; Stable / CARE A2 (07-Jun-23)	1)CARE BBB+; Stable / CARE A2 (16-Mar-23)	1)CARE BBB+; Stable / CARE A2 (25-Mar-22)
3	Fund-based - LT-Term loan	LT	-	-	-	1)Withdrawn (26-Mar-24) 2)CARE BBB+; Stable (07-Jun-23)	1)CARE BBB+; Stable (16-Mar-23)	1)CARE BBB+; Stable (25-Mar-22)

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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