

September 01, 2014

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	0.36	SMERA BB/Stable (Assigned)
Term Loan	1.94	SMERA BB/Stable (Assigned)
Term Loan	0.35	SMERA BB/Stable (Assigned)
Term Loan	3.93	SMERA BB/Stable (Assigned)
Cash Credit	2.25	SMERA BB/Stable (Assigned)
Corporate Loan	0.20	SMERA BB/Stable (Assigned)
Bank Guarantee	0.60	SMERA A4+ (Assigned)
Forward Contract	0.09	SMERA A4+ (Assigned)
Proposed Term Loan	6.98	SMERA BB/Stable (Assigned)
Proposed Business Loan	3.30	SMERA BB/Stable (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the above mentioned bank facilities of Mastercraft Engineers Private Limited (MEPL). The outlook is '**Stable**'. The ratings are constrained by the company's moderate scale of operations and high inventory levels. The ratings are also constrained by the company's exposure to slowdown in the automobile industry. However, the ratings are supported by the company's experienced management, reputed clientele, strong order book position, healthy operating profit margin and comfortable coverage indicators.

MEPL, incorporated in 1991, is a Bengaluru-based company engaged in manufacturing of injection moulds and injection moulded plastic components. MEPL caters to automobile, electrical and consumer durables industry. The company has moderate-scale operations, reflected in revenues of Rs.21.32 crore in FY 2012-13 (refers to financial year, April 01 to March 31). MEPL has high level of inventory, as reflected in inventory holding period of ~180 days in FY2012-13. The company derived ~80 per cent of its total revenues (in FY2013-14) from the automobile industry, which is currently undergoing a slowdown.

MEPL benefits from its experienced management. Mr. Sree Prakash Ramamirtham and Mr. Balakrishnan Srinivasan, directors of MEPL, have around two decades of experience in the company's line of business. MEPL has a strong order book position reflected in pending orders of ~Rs.34.95 crore as on May 22, 2014. The company reported healthy operating profit margin of 19.81 per cent in FY2012-13. MEPL's interest coverage ratio is comfortable at 3.39 times in FY2012-13.

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Outlook: Stable

SMERA believes the outlook on MEPL's rated facilities will remain stable over the medium term. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and profit margins. The outlook may be revised to 'Negative' in case of decline in the company's revenues and profit margins, or in case of deterioration in the company's financial risk profile on account of stretch in working capital cycle.

About the company

MEPL, incorporated in 1991, is a Bengaluru-based company promoted by Mr. Sree Prakash Ramamirtham and Mr. Balakrishnan Srinivasan. MEPL is engaged in manufacturing of injection moulds and injection moulded plastic components. The company also undertakes job work for manufacturing injection moulded plastic components. MEPL mainly caters to automobile, electrical and consumer durables industry. The company is a Tier II manufacturer of moulds and injection moulded plastic components used in the automobile industry.

MEPL has a manufacturing unit in Bommasandra Industrial Area (Karnataka), with total installed capacity of manufacturing 80 moulds per annum (maximum size of 2,400 mm x 1,400 mm with mould weight up to 30 tonnes). The company plans to increase the installed capacity to 120 moulds per annum. The project cost is estimated at Rs.10.65 crore, which is likely to be funded through term loan of Rs.6.98 crore and internal accruals of Rs.3.67 crore. The project is expected to be completed by March 2015.

For FY2013-14, MEPL reported profit after tax (PAT) of Rs.1.27 crore on operating income of Rs.26.99 crore, as compared with PAT of Rs.0.60 crore on operating income of Rs.21.32 crore. The company's net worth stood at Rs.9.10 crore as on March 31, 2014, as compared with Rs.7.51 crore a year earlier.

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