



SMERA RATINGS LIMITED

# Mastercraft Engineers Private Limited (MEPL)

## Rating Rationale

**September 18, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Term Loans	9.09	SMERA BB+/Stable (Upgraded from SMERA BB/Stable)
Cash Credit	2.25	SMERA BB+/Stable (Upgraded from SMERA BB/Stable)
Proposed Facilities	7.97	SMERA BB+/Stable (Upgraded from SMERA BB/Stable)
Bank Guarantee	0.60	SMERA A4+ (Reaffirmed)
Forward Contract	0.09	SMERA A4+ (Reaffirmed)

SMERA has upgraded the long term ratings to '**SMERA BB+**' (read as **SMERA double B plus**) from SMERA BB (read as SMERA double B) and reaffirmed the short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the above mentioned bank facilities of Mastercraft Engineers Private Limited (MEPL). The outlook is '**Stable**'.

The rating upgrade factors in improvement in MEPL's business risk profile driven by strong revenue growth over the last five years and SMERA's expectation that the same would be sustained over the medium term. The company's business risk profile is also supported by the healthy profitability and improvement witnessed in its working capital management during the last 12 months.

The ratings reflect MEPL's above average financial profile especially coverage ratio and extensive industry experience of the promoters and healthy order book leading to revenue visibility. However, the above ratings are constrained by the company's modest scale of operations and susceptible to cyclicity in the end user industry (automobile).

### Update

MEPL recorded revenue of Rs.39.3 crore during FY 2014-15 (refers to financial year April to March) indicating a healthy compounded annual growth rate of 16 per cent over the past five years ended March 2015 - in line with SMERA's expectations. SMERA expects the company to sustain its growth momentum over the medium term, driven by healthy order book position. The company's profitability has remained healthy in the range of 15 to 20 per cent over the past five years. SMERA expects the company's operating margins to remain comfortable over the medium term. The company's liquidity remains comfortable marked by healthy cash accruals and moderate utilisation of working capital limits driven by effective working capital management.

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**Rating Sensitivity Factors**

- Revenue scalability and profitability
- Effective working capital management
- Future capital expenditure plans and its funding

**Outlook: Stable**

SMERA believes that MEPL will continue to benefit from its experienced management and healthy order book. The outlook will be revised to 'Positive' in case of increase in the scale of operations with healthy profitability while maintaining effective working capital management. Conversely, the outlook shall be revised to 'Negative' in case of decline in MEPL's cash accruals or elongation of its working capital cycle with resultant negative impact on liquidity and debt protection metrics.

**About the Company**

MEPL, incorporated in 1991, is a Bengaluru-based company promoted by Mr. Sree Prakash Ramamirtham and Mr. Balakrishnan Srinivasan. The company is engaged in the business of precision mould making and moulding.

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