

Mastercraft Engineers Private Limited: Reaffirmed

| Facilities | Amount (Rs Crore) | Ratings/Outlook |
|---------------------|-------------------|-------------------------------|
| Term Loan | 10.08 | SMERA BB+/Stable (Reaffirmed) |
| Cash Credit | 2.25 | SMERA BB+/Stable (Reaffirmed) |
| Proposed Facilities | 6.98 | SMERA BB+/Stable (Reaffirmed) |
| Bank Guarantee | 0.60 | SMERA A4+ (Reaffirmed) |
| Forward Contract | 0.09 | SMERA A4+ (Reaffirmed) |

SMERA has reaffirmed the long term rating of '**SMERA BB+**' (**read as SMERA double B plus**) and short-term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.20.00 crore bank facilities of Mastercraft Engineers Private Limited (MEPL). The outlook is '**Stable**'.

The ratings continue to be supported by the company's experienced management, healthy financial risk profile, comfortable liquidity position and strong order book position. However, the ratings are constrained by the modest scale of operations, fluctuating revenue trend and susceptibility of profit margins to cyclicalities in the automobile industry.

Update

MEPL is engaged in the manufacture of injection moulds and injection moulded plastic components of vehicles (switches, miniature circuit breakers etc). The company benefits from its experienced management. Mr. Sree Prakash Ramamirtham and Mr. Balakrishnan Srinivasan, Directors possess around two decades of experience in the abovementioned line of business. The modest scale of operations is reflected in the revenue of Rs.35.60 crore in FY2015-16, a decline from Rs.39.24 crore in FY2014-15. This is mainly due to realisation of bill cycle. However, the operating margin and net profit margins have increased moderately from 15.73 per cent and 4.13 per cent in FY2014-15 to 15.79 per cent and 4.32 per cent in FY2015-16 respectively. Since around 70 per cent of revenue is generated from the automobile industry, the profit margins are susceptible to cyclicalities.

The financial risk profile of the company continues to be healthy. The gearing stands comfortable at 0.81 times as on March 31, 2016 (0.81 times as on March 31, 2015). The debt service coverage ratio (DSCR) has been at 1.63 times for FY2016 (1.65 times for FY2015). However, the interest coverage ratio has declined to 3.97 times for FY2016 (5.56 times for FY2015). The company plans to set up an additional manufacturing plant in Bengaluru. The project cost is estimated at Rs. 13.00 crore, which would be funded through equity of Rs. 3.00 - 4.00 crore and balance would be funded through debt. The operations are expected to commence from January 2018.

The company's liquidity remains comfortable marked by healthy cash accruals of Rs.5.26 crore for FY2015-16 and lower utilisation of working capital limits driven by effective working capital management. The average utilisation for the past six months from April to September 2016 stood at ~28 per cent. MEPL has a healthy order book of Rs.19.00 crore as on November 16, 2016.

Rating Sensitivity Factors

- Scaling up revenue while improving profitability
- Future capital expenditure plan and funding

Outlook-Stable

SMERA believes that MEPL will continue to maintain a stable outlook and benefit from its experienced management and healthy order book. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while maintaining better profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile owing to higher than expected increase in debt funded capital expenditure.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

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 manufacturing of injection moulds and injection moulded plastic components (size of 2400 mm x 1400 mm with mould weight up to 32 tonnes with in house trial facility).

For FY2015-16 the company reported profit after tax (PAT) of Rs.1.54 crore on operating income of Rs.35.60 crore as compared to PAT of Rs.1.62 crore on operating income of Rs.39.24 crore for FY2014-15.

Rating History

| Date | Facilities | Amount (Rs. Crore) | Ratings | | Rating Outlook |
|--------------------|---------------------|-----------------------|-------------------------|---------------------------|-------------------|
| | | | Long Term | Short Term | |
| 18 September, 2015 | Term Loan | 9.09 | SMERA BB+ (Upgraded) | - | Stable |
| | Cash Credit | 2.25 | SMERA BB+ (Upgraded) | - | Stable |
| | Proposed Facilities | 7.97 | SMERA BB+ (Upgraded) | - | Stable |
| | Bank Guarantee | 0.60 | - | SMERA A4+ (Reaffirmed) | - |
| | Forward Contract | 0.09 | - | SMERA A4+ (Reaffirmed) | - |
| 01 September, 2014 | Term Loan | 0.36 | SMERA BB (Assigned) | - | Stable |
| | Term Loan | 1.94 | SMERA BB (Assigned) | - | Stable |
| | Term Loan | 0.35 | SMERA BB (Assigned) | - | Stable |
| | Term Loan | 3.93 | SMERA BB (Assigned) | - | Stable |
| | Cash Credit | 2.25 | SMERA BB (Assigned) | - | Stable |
| | Corporate Loan | 0.20 | SMERA BB (Assigned) | - | Stable |
| | Proposed Term Loan | 6.98 | SMERA BB (Assigned) | - | Stable |

| | | | | | |
|--|------------------------|------|---------------------|----------------------|--------|
| | Proposed Business Loan | 3.30 | SMERA BB (Assigned) | - | Stable |
| | Bank Guarantee | 0.60 | - | SMERA A4+ (Assigned) | - |
| | Forward Contract | 0.09 | - | SMERA A4+ (Assigned) | - |

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ABOUT SMERA

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