

Press Release

Mastercraft Engineers Private Limited (MEPL)

09 March, 2018



Rating Upgraded

Total Bank Facilities Rated	Rs 20.00 crore
Long Term Rating	SMERA BBB-/ Stable (Upgraded)
Short Term Rating	SMERA A3 (Upgraded)

Rating Rationale

SMERA has upgraded the long term rating to '**SMERA BBB-**' (read as **SMERA triple B minus**) from '**SMERA BB+**' (read as **SMERA double B plus**) and upgraded the short term rating to '**SMERA A3**' (read as **A three**) from '**SMERA A4+**' (read as **SMERA A four plus**) to the above mentioned bank facilities of Rs.20.00 crore. The outlook is '**Stable**'.

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. MEPL is a Tier I manufacturer of moulds and injection moulded plastic components used in the automobile industry.

The rating upgrade is driven by the improvement in business risk profile reflected in robust growth in revenue and healthy margins, which is expected to be sustained over near to medium term.

List of key rating drivers and their detailed description:

Strengths:

Experienced management

MEPL is engaged in manufacturing of injection moulds and injection moulded plastic components. MEPL benefits from its experienced management, Mr.Sree Prakash Ramamirtham and Mr.Balakrishnan Srinivasan. Both the directors have Bachelor's degree in Engineering and possess around two decades of experience in the same line of business.

Reputed Clientele

Revenue buoyancy is expected on the back of higher off take from its existing clientele list such as Exide Industries Limited, Toyota Boshoku Automotive Private Limited, Schneider Electric, Moriorku Technology Pvt. Limited, Aisin Automotive Karnataka Limited amongst others.

Moderate operating margins albeit continuing to be at healthy levels

The revenues have improved from Rs.35.60 Crore in FY2016 to Rs.42.34 crore in FY2017. The EBITDA margins have declined but stood moderate at 13.37 percent in FY2017 as compare to 15.72 percent in FY2016. EBITDA margins have mainly declined due to increase in raw material i.e. plastic prices.

Healthy financial risk profile

The firm has healthy financial risk profile marked by net worth of Rs. 12.33 crore as on 31 March, 2017. The

gearing stood comfortable at 0.66 times as on 31 March, 2017 as against 0.81 times as on 31 March, 2016. The total debt of Rs.8.09 Crore outstanding as on 31 March, 2017 mainly comprises of a secured term loan Rs.5.72 crore, short term bank funding's of Rs.0.99 crore and current portion of long term debt of Rs.1.38 crore. The Interest Coverage Ratio stood at 4.36 times in FY17 as against 3.97 times in FY16. The net cash accruals stood at 3.19 crore in FY17 and NCA/TD at 0.39 times in FY2017.

Weaknesses

Modest Scale of operations

The modest scale of operations is marked by operating income of Rs.42.34 crore in FY17, limits resilience to external shocks compared with larger players. The operations are expected to continue at relatively moderate levels.

Susceptibility of the operating performance cyclicity in user sector

MEPL's revenues depict a fluctuating trend as there is high dependence on automobile industry which contributes ~ 80 per cent of the revenue resulting in exposure to cyclicity in automobile industry

Outlook:

SMERA believes that MEPL will continue to 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 and net cash accruals while maintaining better profit margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	42.34	35.60	39.24
EBITDA	Rs. Cr.	5.66	5.60	6.17
PAT	Rs. Cr.	0.02	1.54	1.62
EBITDA Margin	(%)	13.37	15.72	15.73
PAT Margin	(%)	0.05	4.32	4.13
ROCE	(%)	11.97	10.38	16.60
Total Debt/Tangible Net Worth	Times	0.66	0.81	0.81
PBDIT/Interest	Times	4.36	3.97	5.56
Total Debt/PBDIT	Times	1.39	1.69	1.41
Gross Current Assets (Days)	Days	138	118	125

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities- <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs Crore)	Ratings/Outlook
15-December-2016	Term Loan	Long Term	10.08	SMERA BB+/ Stable (Reaffirmed)
	Cash Credit	Long Term	2.25	SMERA BB+/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.60	SMERA A4+ (Reaffirmed)
	Forward Contract	Short Term	0.09	SMERA A4+ (Reaffirmed)
	Proposed Facilities	Long Term	6.98	SMERA BB+/ Stable (Reaffirmed)
18-September-2015	Term Loan	Long Term	9.09	SMERA BB+/ Stable (Upgraded)
	Cash Credit	Long Term	2.25	SMERA BB+/ Stable (Upgraded)
	Bank Guarantee	Short Term	0.60	SMERA A4+ (Reaffirmed)
	Forward Contract	Short Term	0.09	SMERA A4+ (Reaffirmed)
	Proposed Facilities	Long Term	7.97	SMERA BB+/ Stable (Upgraded)
01-September-2014	Term Loan	Long Term	6.58	SMERA BB/ Stable (Assigned)
	Cash Credit	Long Term	2.25	SMERA BB/ Stable (Assigned)
	Corporate Loan	Long Term	0.20	SMERA BB/ Stable (Assigned)
	Proposed Business Loan	Long Term	3.30	SMERA BB/ Stable (Assigned)
	Proposed Corporate Loan	Long Term	6.98	SMERA BB/ Stable (Assigned)
	Bank Guarantee	Short Term	0.60	SMERA A4+ (Assigned)
	Forward Contract	Short Term	0.09	SMERA A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	6.68	SMERA BBB- / Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.25	SMERA BBB- / Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.30	SMERA A3 (Upgraded)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.30	SMERA A3

					(Upgraded)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	9.47	SMERA BBB- / Stable (Upgraded)

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ABOUT SMERA

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