

May 13, 2013

Proposed Facilities	Amount (Rs. Crore)	Rating
Cash Credit	3.00	SMERA BB+/Stable/Assigned
Term Loan	3.48	SMERA BB+/Stable/Assigned
Letter of Credit	1.50	SMERA A4+/Assigned
Bank Guarantee	0.50	SMERA A4+/Assigned
One Time Import LC (sub limit of Term Loan)	(1.04)	SMERA A4+/Assigned

SMERA has assigned a rating of '**SMERA BB+**' (read as **SMERA Double B plus**) to Rs. 6.48 crore long term facilities and '**SMERA A4+**' (read as **SMERA A four plus**) to Rs. 2.00 crore short term facilities of Mask Polymers Private Limited (MPPL). The outlook is '**Stable**'. The rating derives support from MPPL's long and established standing in rubber moulded components segment, reputed clientele and a healthy financial profile marked by moderate gearing and healthy coverage indicators. The rating also takes into account the optimum capacity utilization of the manufacturing unit and capacity expansion undertaken by the company, resulting in steady revenue growth. However, the rating is constrained largely due to customer concentration risk and uneven profit margins due to unit's susceptibility to volatility in raw material prices. The rating also factors in the intense competition in a highly fragmented and competitive rubber auto components industry and negative outlook of the automobile industry.

MPPL manufactures rubber moulded components for automotive as well as industrial applications. The company primarily caters to the automobile sector & deals on a direct as well as indirect basis with the OEM's. MPPL has a reputed clientele which includes Bajaj Auto Limited, Varroc Engineering Private Limited, Piaggio Vehicles Private Limited etc. Around 70% of MPPL's revenues in FY 2013 were generated from Bajaj Auto Limited thus exposing MPPL to both sector as well as customer concentration risk. MPPL has registered healthy growth in its revenues at a CAGR of 32.48% from FY 2008 to FY 2012. The operations of MPPL are marked by high capacity utilization

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during the period under study; currently the company utilizes around 90% of its production capacity & due to growing requirements of its customers, MPPL has expanded its capacity at its existing facility, thus enabling steady growth in the revenues of the company in the past. In its quest to reduce its dependence on Bajaj Auto Limited and the 2 wheeler segment, MPPL has entered into a joint venture arrangement for manufacturing engine mounts with a Korean based company, thereby enabling MPPL to diversify its customer as well as product base by entering into the 4 wheeler segment.

The Rubber Auto components industry is known to be highly fragmented and competitive in nature. Moreover, rubber being one of the major raw material for MPPL, its margins have been susceptible to changes in the rubber prices, which have been firming up in the past; moreover it has been unable to transfer such increases in raw material prices to its customers (limited ability to bargain better pricing from Bajaj Auto Limited), thus affecting the margins of the company. MPPL's operating margins have declined from 13.83% in FY 2010 to 11.38% in FY 2012. Further, its debt funded expansion in FY 2013 is likely to further affect MPPL's margins as there would be increase in depreciation and interest cost.

MPPL benefits from the healthy financial profile marked by comfortable interest coverage ratio and DSCR which stand at 6.64 times and 2.76 times, respectively, for FY 2012. However, its total debt/equity ratio is moderate at 1.15 times as on 31/Mar/2012 which primarily consists of short term working capital facilities. Further, the liquidity position is comfortable with moderate utilization of its cash credit facilities. In FY 2013, MPPL had availed term loans amounting to Rs. 1.50 crore and Rs. 0.75 crore for meeting construction costs at the new factory site. However, the overall gearing of MPPL is likely to remain at a moderate level due to retention of profits.

Outlook: Stable

SMERA believes that MPPL will continue to benefit from its long standing association with its reputed customers and is likely to maintain its financial risk profile at a moderate level. However, the company's ability to diversify customer base, improve its profitability and maintain comfortable liquidity position remains the key rating sensitivities.

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About Mask Polymers Private Limited

MPPL was incorporated in the year 1999 and is engaged in manufacturing of Rubber Moulded and Teflon Products and caters to the automobile industry. It started commercial production in 2001. MPPL has its administrative office and factory at Talegaon, Pune.

The management team, headed by Mr. Rajesh R. Mhaske, is qualified and has rich experience in this field.

For FY 2012, MPPL reported a net profit of Rs. 2.17 crore on a total income of Rs. 40.75 crore as against a net profit of Rs. 1.35 crore on a total income of Rs. 29.04 crore for FY 2011. For the nine months ended December, 2012, MPPL has booked revenue of Rs. 40.67 crore as per its sales tax returns.

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