

August 11, 2014

Facilities	Amount (Rs. Crore)	Ratings
<b>Cash Credit</b>	<b>3.00</b>	<b>SMERA BB+/Stable (Reaffirmed)</b>
<b>Term Loans</b>	<b>3.48</b>	<b>SMERA BB+/Stable (Reaffirmed)</b>
<b>Letter of Credit</b>	<b>1.50*</b>	<b>SMERA A4+ (Reaffirmed)</b>
<b>Bank Guarantee</b>	<b>0.50*</b>	<b>SMERA A4+ (Reaffirmed)</b>

*\*Includes Import Letter of Credit as sublimit to the extent of Rs.1.04 crore*

SMERA has reaffirmed ratings of '**SMERA BB+**' (**read as SMERA double B plus**) and '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.8.48 crore bank facilities of Mask Polymers Private Limited (MPPL). The outlook is '**Stable**'. The ratings continue to draw comfort from the company's long track record of operations, reputed clientele, healthy financial risk profile and experienced management. However, the ratings are constrained by the susceptibility of the company's profit margins to volatility in raw material prices. The ratings are also constrained by the company's exposure to customer concentration risk.

### Update

For FY2012–13 (refers to financial year, April 01 to March 31), MPPL registered net profit of Rs.1.45 crore on operating income of Rs.42.03 crore, as compared with net profit of Rs.2.18 crore on operating income of Rs.38.90 crore in the previous year. MPPL's revenues declined marginally to Rs.41.53 crore (provisional) in FY2013–14 on account of slowdown in the automobile sector and reduced offtake from Bajaj Auto Limited, which faced operational issues during the same year. MPPL remains exposed to customer and sector concentration risks arising from high dependence on orders received from Bajaj Auto Limited.

In FY2012–13, MPPL had entered into a joint venture arrangement for manufacturing engine mounts in collaboration with a Korean company. The commercial production under the aforementioned agreement was expected to commence in FY2013–14; however, the same has been delayed and is likely to commence in December 2014. The joint venture will enable MPPL to diversify its clientele and product portfolio.

MPPL's operating profit margins are susceptible to fluctuations in prices of raw material viz. rubber. The company's material cost (as a proportion of sales) reduced from 58.95 per cent in FY2012–13 to 56.09 per cent in FY2013–14 on account of decline in rubber prices and reduction in material consumption through adoption of improved manufacturing techniques. Consequently, MPPL's operating profit margin increased from 10.95 per cent in FY2012–13 to 12.91 per cent in FY2013–14.

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MPPL undertook debt-funded capex in FY2012-13 to increase the total installed capacity from 6,10,00,000 units to 7,10,00,000 units. The company currently operates at ~90 per cent of its installed capacity. MPPL's net profit margin declined from 5.59 per cent in FY2011-12 to 3.09 per cent FY2013-14 on account of increase in depreciation and interest costs post commissioning of the aforementioned debt-funded capex.

MPPL's healthy financial risk profile is reflected in gearing (debt-equity ratio) of 0.79 times (provisional) as on March 31, 2014 and interest coverage ratio of 4.19 times (provisional) in FY2013-14. The company has a comfortable liquidity position, which is evidenced by low average utilisation (62.56 per cent) of working capital limit during January 2013 to June 2013.

### Outlook: Stable

SMERA believes MPPL will continue to benefit over the medium term from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues while maintaining healthy operating profit margin and comfortable coverage indicators. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve scalability amidst intensifying competition in its areas of operation, or in case of deterioration in the company's financial risk profile. The company's ability to diversify its customer base is a key rating sensitivity.

### About the company

MPPL, incorporated in 1999, is a Pune-based company engaged in manufacturing of rubber moulded components and teflon products. The overall operations of the company are managed by Mr. Rajesh R. Mhaske.

MPPL's net worth stood at Rs.11.29 crore (provisional) as on March 31, 2014, as compared with Rs.10.00 crore a year earlier.

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