

**November 23, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.00	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Term Loan	3.48	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Letter of Credit	1.50*	SMERA A3 (Upgraded from SMERA A4+)
Bank Guarantee	0.50*	SMERA A3 (Upgraded from SMERA A4+)

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

SMERA has upgraded the long-term rating assigned to the Rs.6.48 crore bank facilities of Mask Polymers Private Limited (MPPL) to '**SMERA BBB-**' (read as **SMERA triple B minus**) from '**SMERA BB+**' and the short term rating assigned to the Rs.2.00 crore bank facilities to '**SMERA A3**' (read as **SMERA A three**) from '**SMERA A4+**'. The outlook is '**Stable**'. The upgrade is in view of improvement in the profit margins and financial risk profile of the company. The ratings continue to draw comfort from the established track record of operations, reputed customer base and experienced management. However, the ratings are constrained by the susceptibility of the company's profit margins to volatility in raw material prices and exposure to customer concentration risk.

### Update

MPPL reported net profit of Rs.3.82 crore on operating income of Rs.48.81 crore in FY2014-15, as compared with net profit of Rs.1.36 crore on operating income of Rs.41.26 crore in the previous year. The company has registered improvement in operating margins over the last three years from 10.95 per cent in FY2012-13 to 17.73 per cent in FY2014-15 on account of decline in rubber prices and reduction in material consumption through adoption of improved manufacturing techniques.

MPPL's financial risk profile has improved with gearing at 0.34 times as on March 31, 2015 as compared to 0.78 times as on March 31, 2014. The company has advanced around Rs.2.83 crore to one of its group companies as on March 31, 2015. MPPL also plans to expand its production capacity in the current financial year at a project cost of Rs.3.30 crore to be funded by term loan of Rs.2.50 crore and balance through internal accruals. SMERA believes MPPL will be able to maintain a comfortable financial risk profile despite the debt-funded capex.

MPPL's total debt of Rs.5.13 crore (as on March 31, 2015) is mainly short term working capital. The company's interest coverage ratio improved from 4.18 times in FY2013-14 to 9.63 times in FY2014-15. The comfortable liquidity position is evidenced by low average utilisation (40 per cent) of working capital limit during April 2015 to September 2015. The net profit margin has improved from 3.29 per cent to 7.83 per cent in FY2014-15 on account of repayment of term loan and low utilisation of credit facilities.

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MPPL benefits from its experienced management. Mr. Rajesh R. Mhaske, the Managing Director has around 20 years of experience in the rubber components industry. Also, the company has a reputed clientele since it caters largely to Bajaj Auto Limited. However, it is also exposed to customer and sector concentration risks with high dependence on orders from Bajaj Auto Limited.

### Outlook: Stable

SMERA believes that MPPL will continue to benefit over the medium term from its established presence in the two wheeler segment and experienced management. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially, while also maintaining its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the scalability amidst intensifying competition in the area of operation or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

### About the Company

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

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