

Press Release

Mask Polymers Private Limited

May 24, 2018



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 15.98 Cr (Enhanced from Rs. 8.48 Cr.)
Long Term Rating	SMERA BBB-/ Outlook: Stable
Short Term Rating	SMERA A3

*Refer annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs.10.98 crore bank facilities of Mask Polymer Private Limited (MPPL). The outlook is '**Stable**'.

Further, SMERA has assigned the long term rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) on the Rs.5.00 crore bank facilities of Mask Polymer Private Limited (MPPL). The outlook is '**Stable**'.

MPPL, incorporated in 1999, by Mr. Rajesh R. Mhaske, Mr. Rajaram Mhaske and Mrs. Subhada Mhaske is engaged in manufacturing of rubber molded components and Teflon products such as Fuel Tubes, Gasket and O rings, Rubber Extruded to name a few. They are used for automobile and industrial applications. MPPL has its administrative office and factory at Talegaon (Pune).

Key Rating Drivers

Strengths

Established track record of operations and experienced management:

MPPL was incorporated in 1999 by Mr. Mr. Rajesh Mhaske and Mr. Rajaram Mhaske (Directors). The Directors have more than two decades of experience in the auto components industry thereby establishing track record of around two decades and healthy relationships with the customers and suppliers.

SMERA believes that the company will maintain the existing business risk profile on the back of established track record in the automobile industry over the medium term.

Healthy financial risk profile:

The financial risk profile of MPPL has remained healthy marked by tangible net worth of Rs.23.81 crore as on 31 March, 2018 (Provisional) as against Rs.21.44 crore as on 31 March, 2017. The gearing stood low at 0.41 times as on 31 March, 2018 (Provisional) as against 0.24 times as on 31 March, 2017. The total debt of Rs.9.81 crore outstanding as on 31 March, 2018 (Provisional) comprises secured loan of Rs.4.63 crore and Rs.5.18 crore as working capital borrowing from the bank. Interest Coverage Ratio (ICR) stood at 10.13 times for FY2018 (Provisional) as against 11.09 times for FY2017. The ICR has declined on account of increase in interest cost in FY2018 (Provisional) over FY2017. Debt Service Coverage Ratio (DSCR) stood at 7.87 times for FY2018 (Provisional) as against 9.11 times for FY2017. Debt to EBITDA ratio stood at 1.37 times in FY2018 (Provisional) as against 0.89 times in FY2017. The net cash accruals stood at Rs.4.85 crore in FY2018 (Provisional) as against Rs.4.29 crore in FY2017.

SMERA believes that the company will sustain its financial risk profile on the back of healthy net cash accruals generation over the medium term.

Weaknesses

Uneven revenues and profitability margins:

The revenue trend of MPPL is uneven during the period under study i.e. FY2015 to FY2018. The revenue stood at Rs.57.25 crore in FY2018 (Provisional) as against Rs.42.62 crore in FY2017 and Rs.49.00 crore in FY2016. The fluctuation in the revenue is on account of majority of the sales being dependent on the orders received through Bajaj Auto Limited. Revenue contribution from Bajaj Auto Limited stood at ~60 percent.

The profitability margins of MPPL have declined during the period under study. The EBITDA margins stood at 11.06 percent in FY2018 (Provisional) as against 11.98 percent in FY2017 and 18.89 percent in FY2016. This is majorly on account of fluctuation in rubber prices and MPPL had received a high margin order from Bajaj Auto Limited in FY2015 and FY2016 for exports to Africa. The net profitability margins have also declined Y-o-Y due to increase in interest cost. The PAT margins stood at 4.15 percent in FY2018 (Provisional) as against 4.28 percent in FY2017 and 8.84 percent in FY2016.

SMERA believes that the ability of the company to maintain the revenue streams and the profitability margins over the medium term will be the key rating sensitivity.

Working capital intensive operations:

The operations of MPPL have remained working capital intensive marked by GCA days of 240 days in FY2018 (Provisional) as against 159 days in FY2017. This is majorly on account of increase in current assets in FY2017 over FY2016 (GST receivable and payable). Inventory holding period stood at 35 days in FY2018 (Provisional) as against 43 days in FY2017. The receivable days stood at 71 days in FY2018 (Provisional) as against 65 days in FY2017. The company gets extended credit period from its suppliers of around ~120 days which moderates the working capital requirements. The average bank limit utilisation stood at 92.40 percent for the last six months ended April, 2018.

SMERA believes that the ability of the MPPL in order to maintain its working capital cycle and maintain sufficient funds will be key rating sensitivity.

Susceptibility of profitability to cyclical nature in the automobile industry:

The revenues are dependent on the growth of the end users in the automobile industry which is cyclical in nature thereby affecting the profitability margins along with revenues.

Analytical Approach:

SMERA has considered the standalone business and financial risk profile of MPPL to arrive at the rating.

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>

Outlook -Stable

SMERA believes that MPPL will continue to maintain stable outlook over the medium term from its established presence and experienced management. The outlook may be revised to 'Positive' if the 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 financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	57.25	42.62	49.00
EBITDA	Rs. Cr.	6.33	5.11	9.26
PAT	Rs. Cr.	2.38	1.82	4.33
EBITDA Margin (%)	(%)	11.06	11.98	18.89
PAT Margin (%)	(%)	4.15	4.28	8.84
ROCE (%)	(%)	15.52	13.53	33.90
Total Debt/Tangible Net Worth	Times	0.41	0.24	0.23
PBDIT/Interest	Times	10.13	11.09	14.90
Total Debt/PBDIT	Times	1.37	0.89	0.45
Gross Current Assets (Days)	Days	240	159	119

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Rating History (Up to last three years):

Date	Name of Instruments	Term	Amount (Rs. Crore)	Ratings/Outlook
29-Mar-2017	Term Loan	Long term	2.50	SMERA BBB-/Stable (Assigned)
	Proposed Fund Based Facility	Long term	0.98	SMERA BBB-/Stable (Assigned)
	Bill Discounting	Short Term	5.00	SMERA A3 (Assigned)
04-Dec-2015	Cash Credit	Long term	3.00	SMERA BBB-/Stable (Reaffirmed)
	Term Loan	Long term	3.48	SMERA BBB-/Stable (Withdrawn)
	Letter of Credit	Short Term	1.50*	SMERA A3 (Reaffirmed)
	Bank Guarantee	Short Term	0.50*	SMERA A3 (Reaffirmed)
23-Nov-2015	Cash Credit	Long term	3.00	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
	Term Loan	Long term	3.48	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)

	Letter of Credit	Short Term	1.50*	SMERA A3 (Upgraded from SMERA A4+)
	Bank Guarantee	Short Term	0.50*	SMERA A3 (Upgraded from SMERA A4+)

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

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan I	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA BBB-/Stable (Reaffirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A3 (Reaffirmed)
Proposed Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	3.48 (Enhanced from Rs. 0.98 crore)	SMERA BBB-/Stable (Reaffirmed)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	5.00*	SMERA BBB-/Stable (Assigned)

*Includes sublimit to the extent of Rs. 2.00 crore as letter of credit and Rs. 2.50 crore as Buyers credit

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ABOUT SMERA

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