

Press Release

Mask Polymers Private Limited

August 07, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 15.98 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 15.98 crore bank facilities of MASK POLYMERS 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 which are used for automobile and industrial applications. MPPL has its administrative office and factory at Talegaon in Pune (Maharashtra).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of MPPL Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Reputed customer base**

The company caters to a reputed customer base which includes Bajaj Auto Limited, Tata Mahindra and Mahindra and Lumax Autotechnologies to name a few.

- **Established track record of operations and experienced management**

MPPL was incorporated in 1999 by Mr. Rajesh Mhaske and Mr. Rajaram Mhaske (Directors) and is engaged in manufacturing of Rubber molded and Teflon products which are used for automobile and industrial applications. The Directors of the company have more than two decades of experience in the auto components industry, thereby establishing track record for around two decades and healthy relationship with the customers and suppliers.

- **Consistent improvement in scale of operations**

The revenue of MPPL has increased to Rs. 66.63 crore in FY2019 (Provisional) from Rs.57.70 crore in FY2018 and Rs. 42.62 crore in FY2017. This is majorly due to increase in orders from the clients. Acuité believes that the scale of operations will further increase due to commencement of new projects with TATA and Royal Enfield.

- **Healthy financial risk profile**

The financial risk profile of MPPL has remained healthy marked by high tangible net worth of Rs. 24.60 crore as on 31 March, 2019 (Provisional) as against Rs. 23.91 crore as on 31 March, 2018. The gearing stood low at 0.51 times as on 31 March, 2019 (Provisional) as against 0.42 times as on 31 March, 2018. The total debt of Rs. 12.54 crore outstanding as on 31 March, 2019 (Provisional) comprises long term loan of Rs. 6.24 crore, unsecured loans of Rs.0.05 crore and Rs. 6.25 crore as working capital borrowing. The interest coverage ratio (ICR) declined to 4.25 times in FY2019 (Provisional) as against 10.41 times in FY2018. The reason for decrease in ICR is on account of increase in interest cost in FY2019 (Provisional) over FY2018.

Debt service coverage ratio (DSCR) declined to 2.59 times in FY2019 (Provisional) as against 8.11 times in FY2018. Debt to EBITDA ratio stood at 2.27 times in FY2019 (Provisional) as against 1.37

times in FY2018. The net cash accruals declined to Rs. 3.96 crore in FY2019 (Provisional) from Rs.5.00 crore in FY2017. Acuité believes that though there has been deterioration in the interest coverage ratios, still the financial risk profile looks healthy and since the decrease in profitability was because of the fluctuations in raw material prices which is considered to be one-time effect, it is expected that the profitability will stabilise in near to medium term.

Weaknesses

- **Decline in profitability**

The profitability margins of MPPL have declined to 6.87 per cent in FY2019 (Provisional) from 11.68 per cent in FY2018 and 11.98 per cent in FY2017. This is majorly on account of fluctuation in rubber prices and increase in labour cost. The net profitability margins have also declined Y-o-Y. The PAT margins declined to 1.03 per cent in FY2019 (Provisional) from 4.29 per cent in FY2018 and 4.28 per cent in FY2017. This is majorly increase in interest cost and depreciation. Acuité believes that the deterioration in profitability was a one-time effect due to price fluctuations. However, the profitability is expected to stabilise in near to medium term.

- **Working capital intensive operations**

The operations of MPPL have remained working capital intensive marked by high Gross Current Asset (GCA) of 151 days in FY2019 (Provisional) as against 171 days in FY2018. Inventory holding period stood at 35 days in FY2019 (Provisional) as against 35 days in FY2018. The receivable days stood at 71 days in FY2019 (Provisional) as against 72 days in FY2018. The average bank limit utilisation stood at 60 to 65 per cent for the last six months ended June 2019.

- **Susceptibility of profitability margins and revenues 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.

Liquidity Position:

MPPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. However, it has declined to Rs.3.96 crore in FY2019 (Provisional) from Rs.5.00 crore in FY2018, while its maturing debt obligations was Rs.1.54 crore in FY2019 (Provisional) as against Rs.0.74 crore in FY2018. The company's working capital operations are intensive as marked by high gross current asset (GCA) days of 151 in FY2019 (Provisional). Further, the reliance on working capital borrowings is low, the cash credit limit in the company remains utilised at 60 to 65 percent during the last 6 months' period ended June, 2019. The company maintains unencumbered cash and bank balances of Rs.0.25 crore as on March 31, 2019 (Provisional). The current ratio of the company stood at 1.23 times as on March 31, 2019 (Provisional). Acuité believes that though there has been deterioration in the profitability, however, the liquidity position still remains adequate.

Outlook: Stable

Acuité believes that MPPL will continue to maintain a 'Stable' outlook owing to its established market position and extensive experience of promoters. The outlook may be revised to 'Positive' in case of higher than expected revenues and improvement in profit margins. Conversely, the outlook may be revised to 'Negative', in case of decline in revenues and profitability margins.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	66.63	57.70	42.62
EBITDA	Rs. Cr.	4.57	6.74	5.11
PAT	Rs. Cr.	0.69	2.47	1.82
EBITDA Margin	(%)	6.87	11.68	11.98
PAT Margin	(%)	1.03	4.29	4.28
ROCE	(%)	6.36	15.94	13.53
Total Debt/Tangible Net Worth	Times	0.51	0.42	0.24
PBDIT/Interest	Times	4.25	10.41	11.09
Total Debt/PBDIT	Times	2.27	1.37	0.89
Gross Current Assets (Days)	Days	151	171	159

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
24-May-2018	Term Loan	Long Term	2.50	ACUITE BBB- / Stable (Reaffirmed)
	Bills Discounting	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Long Term	3.48	ACUITE BBB- / Stable (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE BBB- / Stable (Assigned)
29-Mar-2017	Term Loan	Long Term	2.50	ACUITE BBB- / Stable (Assigned)
	Bills Discounting	Short Term	5.00	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	0.98	ACUITE BBB- / Stable (Assigned)
04-Dec-2015	Term Loan	Long Term	3.48	ACUITE BBB- / Stable (Withdrawn)
	Cash Credit	Long Term	3.00	ACUITE BBB- / Stable (Reaffirmed)
	Letter of Credit	Short Term	1.50	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Reaffirmed)

***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 loans	Not Applicable	Not Applicable	Not Applicable	1.88	ACUITE BBB- / Stable (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	4.16	ACUITE BBB- / Stable (Reaffirmed)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	4.94	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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