

Press Release
Mask Polymers Private Limited

August 27, 2020

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (**read as ACUITE A three**) on Rs.15.98 crore bank facilities of Mask Polymers Private Limited (MPPL). The outlook is '**Stable**'.

MPPL was incorporated in 1999 by Mr. Rajesh R. Mhaske, Mr. Rajaram Mhaske and Mrs. Subhada Mhaske. The company is engaged in manufacturing of rubber molded components and Teflon products; the manufactured portfolio has used applications in the automobile segment. MPPL has a manufacturing facility at Talegaon in Pune with an installed capacity of 11 crore units per year.

Analytical Approach

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

Key Rating Drivers

Strengths

• Long track record of operations and experienced management

MPPL is operating since 1997. The promoters, Mr. Rajesh R. Mhaske, Mr. Rajaram Mhaske and Mrs. Subhada Mhaske, possess more than two decades of experience in the rubber products industry. The extensive experience of promoters has helped MPPL to establish a healthy long term working relations with reputed customers of two-wheeler automotive segment such as Bajaj Auto Limited, Tata Motors Limited and Lumax Auto Technologies Limited among others.

The revenues of MPPL stood at Rs.64.31 crore in FY2020 (Provisional) as against Rs.66.63 crore in FY2019 and Rs.57.50 crore in FY2018. MPPL had reported Compounded Annual Growth Rate of 6% over the last three years through FY2020. Further, operating and net profit margins improved to 9.09 percent and 3.44 percent in FY2020 (Provisional) from 7.80 percent and 1.93 percent in FY2019, respectively. The improvement was on reduction in raw material prices, i.e. rubber.

The performance of MPPL for FY2021 is likely to be impacted by Covid-19, as production was stopped in high containment zones for April, 2020 and May, 2020. Currently, the factories are allowed to operate with limited staff. However, the company has registered a gross turnover of Rs.5.15 crore for Q1FY2021 and has received orders of next quarter, which provides revenue visibility near to medium term.

Acuité believes that MPPL will continue to benefit from their established presence in the industry backed by promoter's vintage.

• Healthy financial risk profile

MPPL's financial risk profile is healthy, marked by healthy net worth, low gearing and healthy debt protection metrics. The net worth of MPPL is healthy at around Rs.27.41 crores as on March 31, 2020 (Provisional) as against Rs.25.20 crore as on March 31, 2019. The net worth levels have seen improvement over the last three years through FY2020 (Provisional) on account of healthy accretion to reserves.

MPPL has followed conservative financial policy; the same is reflected through its peak gearing in the past around 0.50 times as on March 31, 2019, and improved to 0.36 times as on March 31, 2020 (Provisional). The total outside liabilities to tangible net worth (TOL/TNW) level stood at 0.57 times as on March 31, 2020.

(Provisional) as against 0.37 times as on March 31, 2019. The total debt of Rs.9.85 crore as on March 31, 2020 (Provisional) comprising of term loans to the tune of Rs.6.79 crore, working capital borrowings to the tune of Rs.3.00 crore, and unsecured loans from promoters of Rs.0.06 crore.

The debt protection metrics are healthy marked by Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) stood at 6.06 times and 2.46 for FY2020 (Provisional) as against 4.60 times and 2.90 times for FY2019, respectively. NCA/TD stood at 0.57 times in FY2020 (Provisional) as against 0.37 times in FY2019.

Acuité believes that financial risk profile is expected to be at similar levels over the medium term.

Weaknesses

- **Working capital intensive operations**

The operations of GPCPL are intensive marked by GCA days of 148 in FY2020 (Provisional) as against 149 in FY2019. The GCA days are mainly dominated by debtor days of 80 days for FY2020 (Provisional) as against 84 days for FY2019. The inventory days stood at 28 days for FY2020 (Provisional) as against 32 days in FY2019. Further, creditor days stood at 96 days for FY2020 (Provisional) as against 95 days for FY2019.

Acuité believes that the efficient working capital management will be crucial to the GPCPL in order to maintain a stable credit profile.

- **Susceptibility of operating performance to input price volatility along with customer concentration**

The margins of MPPL remain partially exposed to any adverse movement in the prices of key raw materials viz. rubber, as the company has limited pricing flexibility owing to intense competition in the industry, any adverse movement in raw material costs could directly affect the margins. Further, MPPL derives 70-75% of the total revenue from one reputed customer, i.e. Bajaj Auto Limited. However, the company has recently started adding new customers to the existing client portfolio, which would aid the MPPL to reduce customer concentration risk.

Rating Sensitivities

- Improvement in operating performance along while maintaining profitability margins
- Elongation in the working capital cycle

Material Covenants

None

Liquidity position: Adequate

MPPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.5.60 crore during the last three years through FY2020 (Provisional), while its maturing debt obligations stood around Rs.1.54 crore over the same period. The cash accruals of the group are estimated to remain in the range of Rs.3.50-5.20 crore during 2021-23, while its repayment obligation is estimated to be around Rs.1.54 crore. The working capital operations of the company are intensive, marked by Gross Current Asset (GCA) days of 149 in FY2020 (Provisional). The company maintains unencumbered cash and bank balances of Rs.0.23 crore as on March 31, 2020 (Provisional). The current ratio stands at 1.38 times as on March 31, 2020 (Provisional). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual against repayments over the medium term.

Outlook: Stable

Acuité believes that MPPL will maintain a 'Stable' business risk profile over the medium term supported by an experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the company registers healthy growth in its revenues while sustaining the profitability. Conversely, the outlook may be revised to 'Negative' in case of any significant debt-funded capex, or any decline in its profitability leading to deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	64.31	66.63
PAT	Rs. Cr.	2.21	1.29
PAT Margin	(%)	3.44	1.93
Total Debt/Tangible Net Worth	Times	0.36	0.50
PBDIT/Interest	Times	6.06	4.60

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-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-Aug-2019	Term loan	Long Term	1.88	ACUITE BBB- / Stable (Reaffirmed)
	Bill Discounting	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Term loan	Long Term	4.16	ACUITE BBB- / Stable (Reaffirmed)
	Inventory Funding	Short Term	4.94	ACUITE A3 (Reaffirmed)
24-May-2018	Term loan	Long Term	2.50	ACUITE BBB- / Stable (Reaffirmed)
	Bill 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)
	Bill Discounting	Short Term	5.00	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	0.98	ACUITE BBB- / Stable (Assigned)

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

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Simranjeet Kaur Analyst - Rating Operations Tel: 022-49294052 simranjeet.kaur@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.