

Press Release

Mask Polymers Private Limited

November 15, 2021



Rating Reaffirmed & Assigned

Total Bank Facilities Rated*	Rs.18.00 Cr. (Enhanced from Rs.15.98 Cr.)
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Reaffirmed & Assigned)
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 the Rs.14.33 Cr bank facilities of Mask Polymers Private Limited (MPPL).

Also, Acuité has assigned the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs.3.67 Cr bank facilities of MPPL. The outlook is '**Stable**'.

Rationale for rating reaffirmation

The reaffirmation in the rating reflects long track record of operations & experienced management, moderate financial risk profile and adequate liquidity position. The rating, however, continues to remain constrained on account of working capital intensive operations and fluctuations in margins due to volatility in the input prices along with customer concentration.

About the Company

Pune-based, MPPL was incorporated in 1999 by Mr. Rajesh R. Mhaske, Mr. Rajaram Mhaske and Mrs. Subhadra Mhaske. At present, management is vested in the hands of Mr. Rajesh R. Mhaske, Mr. Rajaram Y and Mrs. Rajshree Mhaske. The company is engaged in manufacturing of rubber molded components and Teflon products which are used for automobile and industrial applications. MPPL has a manufacturing facility at Talegaon in Pune with an installed capacity of 10.70 crore units per year.

Analytical Approach

Acuité has taken a standalone view of the 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. Rajshree Mhaske, have 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 Company has undertaken capex in FY2022 for purchasing machineries and solar project worth Rs.5.25 crore. Out of which around Rs.3 crore is funded through term loans and the balance is funded by the promoters. The Company has increased the production capacity by 8 percent by adding machineries.

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

- **Moderate financial risk profile**

The financial risk profile of MPPL is moderate marked by moderate gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW), and moderate debt protection metrics. The gearing stood at 0.52 times as on March 31, 2021 (Provisional) against 0.37 times as on March 31, 2020. TOL/TNW stood at 0.91 times as on March 31, 2021 (Provisional) against 0.81 times as on March 31, 2020. Tangible net worth of the company stood

modest at Rs.27.09 crore as on March 31, 2021 (Provisional) against Rs.26.69 crore as on March 31, 2020. The total debt of Rs.13.96 crore as on March 31, 2021 (Provisional) mainly consists of long-term debt of Rs.7.88 crore, short-term debt of Rs.6.00 crore and unsecured loans of Rs.0.07 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood moderate at 4.52 times and 0.29 times respectively in FY2021 (Provisional); while DSCR stood at 2.13 times in FY2021 (Provisional).

The company has availed covid loan (term loan) of Rs.1.14 crore as on June, 2020. The repayment is expected to be completed by August, 2024.

Acuité believes that the financial risk profile of the company is expected to remain moderate on account of modest net worth backed by healthy cash accruals vis- à-vis moderate debt repayment obligations and moderate debt protection metrics.

Weaknesses

- **Working capital intensive operations**

MPPL's working capital operations are intensive marked by Gross Current Asset days (GCA) of 177 days in FY2021 (Provisional) against 149 days in FY2020. The inventory days stood at 36 days in FY2021 (Provisional) against 31 days in FY2020. The Company generally maintains an inventory holding policy of 25-30 days on an average. The debtors' days stood at 97 days in FY2021 (Provisional) against 78 days in FY2020 which is corresponding to normal terms with the customers. However, working capital bank lines remains utilized at ~95.53 percent for last trailing 10 months ended October, 2021.

Acuité believes that the company's ability to maintain its working capital efficiently will remain critical 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

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity: Adequate

MPPL has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The company generated cash accruals in the range of Rs.4.01 crore – Rs.5.00 crore during the last four years through FY2018-21 against moderate repayment obligations in the range of Rs.0.74 crore – Rs.2.68 crore during the same period. It is expected to generate cash accruals in the range of Rs.5.39 crore – Rs.6.86 crore over the medium term, against moderate repayment obligations in the range of Rs.1.53 crore – Rs.2.52 crore. Unencumbered cash and bank balances stood at Rs.0.78 crore as on March 31, 2021 (Provisional) with a current ratio of 1.17 times in the same period. However, working capital bank lines remains utilized at ~95.53 percent for last trailing 10 months ended October, 2021.

Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

Outlook: Stable

Acuité believes that MPPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger-than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	58.45	64.13
PAT	Rs. Cr.	0.40	1.49
PAT Margin	(%)	0.69	2.33
Total Debt/Tangible Net Worth	Times	0.52	0.37
PBDIT/Interest	Times	4.52	5.46

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

Not Applicable

Any other information

Not Applicable

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
27-Aug-2020	Term Loan	Long Term	1.88	ACUITE BBB-/ Stable (Reaffirmed)
	Bills 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)
07-Aug-2019	Term Loan	Long Term	1.88	ACUITE BBB-/ Stable (Reaffirmed)
	Bills 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)
	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)

***Annexure – Details of instruments rated**

Lender's Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
HDFC Bank	Term Loan	Feb, 2018	8.80	Sept, 2023	1.03	ACUITE BBB-/ Stable (Reaffirmed)
HDFC Bank	Term Loan	Feb, 2018	8.80	Sept, 2023	2.30 [^]	ACUITE BBB-/ Stable (Reaffirmed)
HDFC Bank	Term Loan	Jan, 2020	8.80	Mar, 2024	0.92	ACUITE BBB-/ Stable (Assigned)
HDFC Bank	Term Loan	Jun, 2020	8.25	Aug, 2024	1.11	ACUITE BBB-/ Stable (Assigned)
HDFC Bank	Term Loan	Dec, 2020	8.80	Feb, 2026	0.89	ACUITE BBB-/ Stable (Assigned)
HDFC Bank	Bill Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 (Reaffirmed)
Bajaj Finance	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A3 (Reaffirmed)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE BBB-/ Stable (Assigned)

[^]includes sublimit of LC to the extent of Rs.2.00 crore and buyers credit of Rs.2.50 crore.

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About Acuité Ratings & Research:

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