Press Release

MASK POLYMERS PRIVATE LIMITED

April 12, 2024

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Ter
Bank Loan Ratings	7.00	ACUITE BBB- | Stable | Reaffirmed	-
Bank Loan Ratings	11.00	-	ACUITE A3 | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	18.00	-	-

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.18.00 Cr. bank facilities of Mask Polymers Private Limited (MPPL). The outlook remains **'Stable'**.

Rationale for Rating Reaffirmation

The reaffirmation in the rating reflects long track record of operations along with experienced management, moderate financial risk profile marked by moderate net worth, gearing & debt protection metrics and adequate liquidity position. Further, the rating takes into consideration augmentation in business risk profile as a result of introduction of new range of rubber products and increase in its installed capacity from 9.90 Crore units per annum in FY2022 to 12.75 Crore units per annum in FY2024. Additionally, the company has maintained stable operating performance which resulted in an approx. 24% growth in revenue amounting to Rs.86.29 Crore in FY2023 as against Rs.69.61 Crore in FY2022. Further, for FY2024, the company is expected to achieve revenue in the range Rs. 100-110 Crore. 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 risks.

About the Company

Pune-based, MPPL was incorporated in 1997 by Mr. Rajesh R. Mhaske, Mr. Rajaram Mhaske and Mrs. Subhada 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 12.75 crore units per annum.

Unsupported Rating

Not Applicable

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 & three-wheeler automotive segment such as Bajaj Auto Limited, Tata Motors Limited, Fiat India Automobiles Private Limited and among others.
The company's operating income grew to Rs.86.29 Cr. in FY2023 as compared to Rs.69.61 Cr. in FY2022. Further, for FY2024, the company has expected to achieve revenue in the range of Rs.100-110 Cr. The increase in the revenue is majorly due to increase in demand and introduction of new range of rubber products catering to two-wheeler, three wheeler and electric vehicle segments of Bajaj Auto and Tata Motors. Further, the Company has installed new machineries during the year which has enhanced their production capacity to 12.75 Cr. units per annum in FY2024 from 9.90 Cr. units per annum in FY2022 improving the scale of operations.
Also, the operating margins of the company stood at 6.73 percent in FY2023 as against 7.17 percent in FY2022. The volatility in the margins is seen as the company remains 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. The PAT margins of the company stood at 1.57 percent in FY2023 as against 1.02 percent in FY2022. Furthermore, the EBITDA margins and PAT margins stood at 9.68 percent and 3.88 percent respectively for 9MFY24.
Acuité believes that the company will continue to benefit from the promoters' experience and established track record of operations in improving its business risk profile over the medium term.

Moderate Financial Risk Profile

The financial risk profile of the company stood moderate, marked by moderate net worth, moderate gearing (debt-equity) and moderate debt protection metrics. The tangible net worth stood at Rs.29.47 crore as on 31 March 2023 as against Rs.28.11 crore as on 31 March, 2022. The total debt of the company stood at Rs.15.83 crore which includes short-term debt of Rs.10.93 crore, long-term debt of Rs.2.73 crore, unsecured loans of Rs.0.12 crore and CPLTD of Rs.2.06 crore as on 31 March, 2023. The gearing (debt-equity) stood at 0.54 times as on 31 March 2023 as against 0.53 times as on 31 March, 2022. Gearing for FY24 is expected to be in the range of 0.40 – 0.50 times. Interest Coverage Ratio stood at 4.96 times for FY2023 as against 4.68 times for FY2022. For FY24, interest coverage is expected to be above 5 times. Debt Service Coverage Ratio (DSCR) stood at 1.52 times in FY2023 as against 1.47 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.01 times as on 31 March, 2023 as against 1.05 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.31 times for FY2023 as against 0.30 times for FY2022.
Acuité believes that the financial risk profile of the company is expected to remain moderate in the absence of any debt funded capex plan.

Weaknesses

Working capital intensive operations

The working capital management of the company is intensive even though there is an improvement in GCA days which stood at 138 days in FY2023 as against 164 days in FY2022. Further, for FY24, the GCA days can be in the range of 117-120 days. The debtor days stood at 60 days in FY2023 as against 81 days in FY2022. The company generally gives a credit period of 60 days to its customers. The Creditor days stood at 65 days in FY2023 as against 103 days in FY2022. However, the company generally allows a credit period of 90 days from its suppliers. The inventory days stood at 34 days in FY2023 as against 38 days in FY2022. The company generally maintains an inventory holding period of 25-30 days on average. The average of utilization of the working capital facilities stood at 70% per cent for past 10 months ended January 2024.
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 70-80% of the total revenue from two of the reputed customers, i.e. Bajaj Auto Limited and TATA Motors. However, the company has been adding new customers to the existing client portfolio, which would aid MPPL to reduce customer concentration risk.

Rating Sensitivities

Growth in revenue with sustainability of the profitability margins.
Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Liquidity Position

Adequate

The company's liquidity position is adequate, marked by moderate net cash accruals against its maturity debt obligations. The company generated net cash accruals in the range of Rs.4.25-4.91 Crore from FY 2021- 2023 against its maturity repayment obligations in the range of Rs.2.06-2.75 crore in the same tenure. In addition, it is expected to generate sufficient cash accrual in the range of Rs.6.80-10.43 crores against the maturing repayment obligations of Rs.0.76-1.97 crore over the medium term. The working capital management of the company is intensive even though there is an improvement in GCA days which stood at 138 days in FY2023 as against 164 days in FY2022. The average of utilization of the working capital facilities stood at 70% per cent for past 10 months ended January 2024. The company maintains unencumbered cash and bank balances of Rs.0.34 crore as on March 31, 2023. The current ratio stands at 0.92 times as on March 31, 2023 as against 0.93 times as on 31 March, 2022.
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 of deterioration in its working capital cycle or larger than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	86.29	69.61
PAT	Rs. Cr.	1.35	0.71
PAT Margin	(%)	1.57	1.02
Total Debt/Tangible Net Worth	Times	0.54	0.53
PBDIT/Interest	Times	4.96	4.68

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

Any other information
None

Applicable Criteria
• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
• Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.htm
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument
In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
13 Jan 2023	Bills Discounting	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Inventory Funding	Short Term	6.00	ACUITE A3 (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.14	ACUITE BBB- | Stable (Reaffirmed)
	Term Loan	Long Term	3.86	ACUITE BBB- | Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB- | Stable (Reaffirmed)
15 Nov 2021	Inventory Funding	Short Term	6.00	ACUITE A3 (Reaffirmed)
	Bills Discounting	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.75	ACUITE BBB- | Stable (Assigned)
	Term Loan	Long Term	0.89	ACUITE BBB- | Stable (Assigned)
	Term Loan	Long Term	1.11	ACUITE BBB- | Stable (Assigned)
	Term Loan	Long Term	0.92	ACUITE BBB- | Stable (Assigned)
	Term Loan	Long Term	2.30	ACUITE BBB- | Stable (Reaffirmed)
	Term Loan	Long Term	1.03	ACUITE BBB- | Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A3 | Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE BBB- | Stable | Reaffirmed
Bajaj Finance Ltd.	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE A3 | Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.24	ACUITE BBB- | Stable | Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Jan 2026	Simple	0.76	ACUITE BBB- | Stable | Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.