

## Press Release

**MAS Additives Private Limited (MAPL)**

21 July, 2017



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.19.00crore
<b>Short Term Rating</b>	SMERA A3+ (Assigned)

*\*Refer annexure for details*

### Rating Rationale

SMERA has assigned short term rating of '**SMERA A3+** (read as SMERA A three plus)' to the Rs.19.00 crore bank facilities of MAS Additives Private Limited.

MAS Additives Private Limited (MAPL), a Maharashtra-based company established in 1994 is an authorised distributor of additives and polymer based chemicals for Kaneka Corporation (Japan), Peter Greven Co. (North America), Chemson Limited, Akdeniz Kimya (Turkey), Mitsui and Co. (Singapore), Kerry Group (Ireland). The warehouse is located at Vapi, Gujarat.

### List of key rating drivers and their detailed description:

#### Strengths:

**Long operational track record and experienced management:** MAPL has long track record of operations. The company has been dealing in chemicals since 1994. The Directors, Mr. Manish Shah, Mrs. Tejal Shah, and Mr. Anantrai Shah have more than two decades of experience in the manufacturing and marketing of chemicals.

**Efficient working capital management:** MAPL has efficient working capital management reflected in the gross current assets (GCA) of 89 days in FY2016 as against 91 days in FY2015. The bank limit utilisation is around 60 to 70 per cent.

The working capital cycle days stood at 30 days for FY2015-16. The debtor days stood at 59 as against 56 in FY2014-15 while the creditor days stood at 54 for FY2015-16 compared to 57 in FY2014-15. The inventory days stood at 25 for FY2015-16 as against 26 for FY2014-15.

**Moderate financial risk profile:** MAPL's gearing (total debt/equity ratio) stood low at 0.14 times as on March 31, 2016 as compared to 0.36 times as on March 31, 2015. The interest coverage ratio (ICR) stood healthy at 9.33 times for FY2015-16 as against 5.72 times for FY2014-15. The company's NCA/TD stands at 1.82 times in FY2015-16 on account of higher net cash accruals (NCA) of Rs. 2.87 crore in FY2015-16. Further the company booked revenue of Rs. 84.00 crore for FY2016-17.

#### Weaknesses

**Moderate scale of operations and profitability:** MAPL has moderate scale of operations with operating income of Rs.84.00 crore in FY2017 (Provisional) as against Rs.78.41 crore in FY2016 and Rs.77.86 crore in FY2015. The revenues were stagnant in FY2016 over FY2015 due to negative

industry sentiments. The EBITDA margins stood at 5.63 per cent in FY2016 as against 4.69 per cent in FY2015. The PAT margins stood at 3.02 per cent in FY2016 as against 2.51 per cent in FY2015.

**Competitive and highly fragmented industry:** MAPL operates in a highly fragmented chemical industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

**Foreign exchange fluctuation risk:** MAPL purchases around 85 per cent of its material from authorised suppliers foreign based companies and remaining from domestic, while entire sales is domestic, thus MAPL is exposed to foreign exchange fluctuations for un-hedge imports. The risk is mitigated to an extent as company hedges part of its foreign exchange exposure.

**Analytical Approach:** SMERA has considered the standalone business and financial risk profile of the company to arrive at the rating.

### Applicable Criteria

- Trading entities- <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

### About the Rated Entity – key financials

For FY2015-16, the company reported profit after tax (PAT) of Rs. 2.37 crore on operating income of Rs. 78.41 crore, as compared with PAT of Rs. 1.95 crore on operating income of Rs. 77.86 crore in FY2014-15. The net worth stood at Rs. 11.20 crore as against Rs. 8.84 crore a year earlier.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for the last three years:** Not Applicable

### \*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Letter of Credit	NA	NA	NA	19.00*	SMERA A3+ (Assigned)

\*Includes sublimit of Rs. 4.00 crore as cash credit.

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