

Mastek Engineering (Mastek)

Mastek Engineering: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	1.00	SMERA B+/Stable (Assigned)
Term Loan	0.40	SMERA B+/Stable (Assigned)
Bank Guarantee	5.00	SMERA A4 (Assigned)

SMERA has assigned long term ratings of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) to the above mentioned bank facilities of Mastek Engineering (Mastek). The outlook is '**Stable**'. The ratings draw comfort from the long track record of operations and experienced management. The ratings also factor in the reputed customer base and healthy order book position. However the ratings are constrained by the small scale of operations, declining profit margins and low net worth base.

Mastek, a partnership firm established in 2003 provides gas pipe installation and fabrication services in Chennai. The day-to-day operations are managed by Mr. Suresh Kumar and Mr. Justin Raj, partners with around 22 years of experience in the same line of business. The firm has registered good growth during the period under study. The revenues have increased from Rs.6.26 crore in FY2013-14 to Rs.12.46 crore in FY2014-15. Further, as per provisional financials for FY2015-16, the firm booked revenue of Rs.19.72 crore.

Mastek caters to a list of reputed clientele including ONGC, IOCL, GAIL among others. Its net worth position is low as on March 31, 2015 at Rs.1.35 crore and Rs.2.25 crore as on March 31, 2016. Further, the ratings also take into account the partnership constitution of the firm with risk of capital withdrawal. The firm operates on a small scale. Its profit margins registered a decline with PAT margin at 4.31 per cent in FY2013-14 and 3.52 per cent in FY2015-16. The EBITDA margin in FY2013-14 was 10.43 per cent while in FY2015-16 it stood at 6.09 per cent.

Rating Sensitivity Factors

- Scaling up operations while maintaining profit margins
- Efficient working capital management

Outlook-Stable

SMERA believes that Mastek will maintain a stable outlook over the medium term and continue to benefit from its experienced management and association with its reputed clientele. The outlook may be revised to 'Positive' if the firm improves its financial risk profile and scale of operations. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the financial risk profile and lower than expected profit margins.

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About the Firm

Mastek, a partnership firm established in 2003, provides gas pipe installation and fabrication services in Chennai. The firm is ISO 9001:2008 certified. The day-to-day operations are managed by Mr. Suresh Kumar and Mr. Justin Raj, Partners.

For FY2014–15, Mastek reported net profit of Rs.0.52 crore on operating income of Rs.12.46 crore, as compared with profit after tax (PAT) of Rs.0.27 crore on operating income of Rs.6.26 crore in FY2013–14. Further, as per provisional financials for FY2015–16, Mastek reported net profit of Rs.0.69 crore on operating income of Rs.19.72 crore.

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ABOUT SMERA

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