

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.

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.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA 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. SMERA 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA 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.smera.in) for the latest information on any instrument rated by SMERA.