

## Press Release

### Mastek Engineering

June 26, 2018

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 6.40 cr
<b>Long Term Rating</b>	ACUITE B+ / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.6.40 crore bank facilities of Mastek Engineering (ME). The outlook is '**Stable**'.

Mastek Engineering was established as a partnership firm in 2003. The firm is engaged in providing services of Gas Pipe Installation, SS Piping Structural fabrication, among others. ME is an ISO 9001:2008 certified firm. The firm caters to reputed players in the oil & gas industry including ONGC, GAIL, and IOCL among others.

### Key Rating Drivers

#### Strengths

- **Experienced management**

ME has been in operation since 2003. The firm is managed by Mr. M. Suresh Kumar (Managing Partner and Founder) who has more than a decade of experience in the said field.

- **Growth in revenues and stable profitability**

ME has registered year on year CAGR of 31.61 percent (from FY2013 to FY2017). The revenues of the firm declined to Rs.14.63 crore in FY2017 as against Rs.19.71 crore in FY2016. However, the firm has registered revenue of Rs.21.54 crore in FY2018 (Provisional). Further, it has a healthy order book position of Rs.61.77 crore to be executed by June 2019. The PAT margins grew to 4.19 percent in FY2017 as against 3.46 percent in FY2016. The EBITDA margin stood at 7.26 percent in FY2017 as against 6.42 percent in FY2016.

#### Weaknesses

- **Average financial risk profile**

ME has average financial risk profile marked by tangible net worth of Rs.2.16 crore as on 31 March, 2017 as against Rs.1.87 crore as on 31 March, 2016. The debt to equity ratio stood at 0.72 times as on 31 March, 2017 as against 0.49 times as on 31 March, 2016. The debt of Rs.1.56 crore mainly consists of working capital borrowings of Rs.1.08 crore as on 31 March, 2017 and unsecured loans of Rs.0.42 crore and long term loan of Rs.0.06 crore. Interest Coverage Ratio (ICR) stood at 6.13 times for FY2017 as against 6.89 times in FY2016. Debt Service Coverage Ratio (DSCR) stood at 3.76 times for FY2017 as against 4.00 times in FY2016. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.15 times as on 31 March, 2017 as against 2.17 times as on 31 March, 2016. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.43 times as on 31 March, 2017 as against 0.82 times as on 31 March, 2016.

- **Increased working capital intensity**

The Gross Current Asset (GCA) has increased from 61 days in FY2016 to 152 days in FY2017. The GCA days are mainly dominated by increased debtor days of 117 in FY2017 as against 17 in FY2016. The creditor days increased to 94 days in FY2017 as against 48 days in FY2016. The average cash credit utilisation stood at ~98 percent for the six months ending April 2018.

## Analytical Approach

Acuite has considered the standalone business and financial risk profiles of ME to arrive at this rating.

## Outlook: Stable

Acuite believes that ME will maintain a 'Stable' business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues or profit margins, or in case of deterioration in the firm's financial risk profile and working capital management.

## About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	14.63	19.71	12.46
EBITDA	Rs. Cr.	1.06	1.27	1.04
PAT	Rs. Cr.	0.61	0.68	0.52
EBITDA Margin	(%)	7.26	6.42	8.34
PAT Margin	(%)	4.19	3.46	4.18
ROCE	(%)	33.03	45.08	37.49
Total Debt/Tangible Net Worth	Times	0.72	0.49	1.07
PBDIT/Interest	Times	6.13	6.89	4.67
Total Debt/PBDIT	Times	1.38	0.69	1.38
Gross Current Assets (Days)	Days	152	61	135

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

None

## Any other information

None

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Entities in Infrastructure Sector - <https://www.acuite.in/view-rating-criteria-14.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
15-Jan-2018	Cash Credit	Long Term	1.00	ACUITE B+ (Indicative)
	Term Loan	Long Term	0.40	ACUITE B+ (Indicative)
	Bank Guarantee	Short Term	5.00	ACUITE A4 (Indicative)
26-Aug-2016	Cash Credit	Long Term	1.00	ACUITE B+/Stable (Assigned)
	Term Loan	Long Term	0.40	ACUITE B+/Stable (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A4 (Assigned)

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.14	ACUITE B+/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.26	ACUITE B+/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4 (Reaffirmed)

### Contacts

Analytical	Rating Desk
SumanChowdhury President - Rating Operations Tel: 022-67141107 <a href="mailto:suman.chowdhury@acuite.in">suman.chowdhury@acuite.in</a>  Salome Farren Analyst - Rating Operations Tel: 022-67141156 <a href="mailto:Salome.farren@acuiterratings.in">Salome.farren@acuiterratings.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

**About Acuite Ratings & Research:**

Acuite Ratings & Research Limited (*erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

**Disclaimer:** *An Acuite 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. Acuite 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, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite 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. Acuite 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.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuite.*