March 27, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	**0.82**	**SMERA B+/Stable (Assigned)**
Cash Credit	**2.50**	**SMERA B+/Stable (Assigned)**
Letter of Credit	**3.50**	**SMERA A4 (Assigned)**
Cash Credit (proposed)	**0.68**	**SMERA B+/Stable (Assigned)**

SMERA has assigned ratings of **'SMERA B+' (read as SMERA single B plus)** to the Rs.4.00 crore long-term (fund based) bank facilities and **'SMERA A4' (read as SMERA A four)** to the Rs.3.50 crore short-term (non-fund based) bank facility of Mellcon Engineers Private Limited (MEPL). The outlook is **'Stable'**. The ratings are constrained by the company's weak financial risk profile and small scale-operations. The ratings are further constrained by the company's stretched working capital cycle. However, the ratings are supported by the company's established track record of operations and experienced management.

MEPL, incorporated in 1986, is a New Delhi-based company engaged in manufacturing of air dryers, refrigeration equipment and gas generators. MEPL's weak financial risk profile is reflected in small capital base of Rs.1.57 crore as on March 31, 2014 and low interest coverage ratio of 1.77 times in FY2013–14 (refers to financial year, April 01 to March 31). The company's total debt of Rs.6.32 crore (as on March 31, 2014) includes unsecured loans of Rs.2.60 crore from related parties. The aforementioned unsecured loans are subordinated to bank debt. SMERA has treated such unsecured loans as quasi-equity. MEPL has small-scale operations marked by revenues of Rs.9.68 crore in FY2013–14. The company's stretched liquidity position is reflected in working capital cycle of 154 days in FY2013–14.

MEPL benefits from its experienced management. Mr. Rakesh Kalia, director of MEPL, has around 20 years of experience in the company's line of business.

Outlook: Stable

SMERA believes MEPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues and cash accruals while achieving efficient working capital management. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile.

About the company

MEPL, established in 1986, is a New Delhi-based company promoted by Mr. Rakesh Kalia. MEPL is engaged in manufacturing of air dryers, refrigeration equipment and gas generators. MEPL has two manufacturing units, one in Okhla, New Delhi and the other in Greater Noida, Uttar Pradesh.

For FY2013–14, MEPL reported profit after tax (PAT) of Rs.0.09 crore on operating income of Rs.9.68 crore, as compared with PAT of Rs.0.29 crore on operating income of Rs.14.11 crore in FY2012–13. The company's net worth stood at Rs.5.73 crore as on March 31, 2014, as compared with Rs.4.73 crore a year earlier.

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