

### Mellcon Engineers Private Limited: Assigned

| Facilities           | Amount (Rs Crore) | Ratings/Outlook  |
|----------------------|-------------------|--|
| Term Loan            | 0.47              | SMERA B+/Stable<br>(Suspension Revoked; Rating Assigned) |
| Cash Credit          | 2.50              | SMERA B+/Stable<br>(Suspension Revoked; Rating Assigned) |
| Letter of Credit     | 3.50              | SMERA A4<br>Suspension Revoked; Rating Assigned)         |
| Proposed cash credit | 1.03              | SMERA B+/Stable<br>(Suspension Revoked; Rating Assigned) |

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.4.00 crore and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.3.50 crore bank facilities of Mellcon Engineers Private Limited (MEPL). The outlook is '**Stable**'.

The ratings are constrained by the small scale of operations, working capital intensive business and stretched liquidity (90 per cent bank limit utilised from October 2015 to April 2016). The ratings are also weakened by the intense competition in the engineering equipment industry. However, the ratings draw support from the experienced management and moderate financial risk profile marked by low gearing and moderate interest coverage.

MEPL has achieved operating income of Rs.8.15 crore in FY2015-16 (Provisional), an improvement from Rs.6.44 crore in FY2014-15. The company has moderate financial risk profile marked by small scale of operations. MEPL registered losses of Rs.0.20 crore in FY2014-15 against Rs.0.08 crore in FY2013-14. The company has healthy gearing (debt-to-equity) of 0.51 times as on March 31, 2015 against 0.65 times in FY2013-14. Moreover, the interest coverage ratio stood at 1.64 times in FY2014-15 against 1.76 times in FY2013-14. The firm registered PAT margin of (-3.14) per cent in FY2014-15 as against 0.85 per cent in FY2013-14. MEPL operates in an intensely competitive segment of the engineering equipment industry.

#### Outlook: Stable

SMERA believes MEPL will maintain a stable outlook in the medium term owing to 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. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

#### Rating Sensitivity Factors

- Improvement in revenue and profitability profile
- Improving the working capital cycle

#### Criteria applied to arrive at the ratings:

- Manufacturing Entities

### About the Company

MEPL, established in 1986, is a New Delhi-based company promoted by Mr. Rakesh Kalia and Mr. Santosh Kalia. The company is engaged in the manufacture of air dryers, refrigeration equipments and gas generators at Greater Noida.

For FY2014-15, MEPL reported losses of Rs.0.20 crore on operating income of Rs.6.44 crore, as compared with profit after tax (PAT) of Rs.0.08 crore on operating income of Rs.9.68 crore in FY2013-14. MEPL's net worth stood at Rs.6.07 crore as on March 31, 2015, as compared with Rs.5.72 crore a year earlier.

### Rating History

| Date            | Name of the Instruments | Amount (Rs. Crore) | Ratings              |                      | Rating /Outlook |
|-----------------|-------------------------|--------------------|----------------------|----------------------|-----------------|
|                 |                         |                    | Long Term            | Short Term           |                 |
| 16 June, 2016   | Term Loan               | 0.82               | SMERA B+ (Suspended) | -                    | Stable          |
|                 | Cash Credit             | 2.50               | SMERA B+ (Suspended) | -                    | Stable          |
|                 | Letter of Credit        | 3.50               | -                    | SMERA A4 (Suspended) | -               |
|                 | Proposed Cash Credit    | 0.68               | SMERA B+ (Suspended) | -                    | Stable          |
| 27 March , 2015 | Term Loan               | 0.82               | SMERA B+ (Assigned)  | -                    | Stable          |
|                 | Cash Credit             | 2.50               | SMERA B+ (Assigned)  | -                    | Stable          |
|                 | Letter of Credit        | 3.50               | -                    | SMERA A4 (Assigned)  | -               |
|                 | Proposed Cash Credit    | 0.68               | SMERA B+ (Assigned)  | -                    | Stable          |

### Contacts:

| Analytical   | Business Development  |
|--|---|
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## ABOUT SMERA

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