

Mellcon Engineers Private Limited: Assigned

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