

July 07, 2015

| Facilities | Amount (Rs. Crore) | Ratings |
|-------------------|-----------------------|---------------------------|
| Cash Credit | 3.00 | SMERA B/Stable (Assigned) |
| Bills Discounting | 2.00 | SMERA A4 (Assigned) |
| Letter of Credit | 2.75 | SMERA A4 (Assigned) |
| Bank Guarantee | 0.25 | SMERA A4 (Assigned) |

SMERA has assigned a long-term rating of '**SMERA B' (read as SMERA B)** and a short-term rating of '**SMERA A4' (read as SMERA A four)** to the above mentioned bank facilities of Manisha Engineers Private Limited (MEPL). The outlook is '**Stable**'. The ratings are constrained due to the company's small scale of operations, working capital intensive nature of business and the company's exposure to customer concentration risk. However, the ratings are supported by the firm's moderate financial risk profile and experienced management.

MEPL, established in 1992, is a Pune-based company engaged in the manufacture, maintenance and distribution of transformers and installation of substations on turnkey basis. MEPL has a small scale of operations with revenue of Rs.33.48 crore in FY2013-14. The revenue registered a slump in FY2014-15 (provisional) to Rs. 29.43 crore.

MEPL's operations are working capital-intensive. The collection period is high at 319 days with a payment period of 357 days in FY2013-14. The company's stretched liquidity position is reflected in high average utilisation of working capital facilities of around 100 per cent for six months ended March 2015. Further, MEPL also avails of adhoc limits as and when required to meet its working capital requirements. The company is exposed to customer concentration risk on account of high dependence on Maharashtra State Electricity Transmission Company Limited (MSETCL) and Ravin Cables Limited for 50 per cent of the revenue.

MEPL's moderate financial risk profile is reflected in the gearing (debt-to-equity ratio) of 1.49 times as on March 31, 2014 with interest coverage ratio of 1.93 times for FY2013-14. The operating margins have improved to 8 per cent in FY2013-14 from 5.75 per cent in FY2011-12. For FY2014-15, the operating profit margin was 10.28 per cent (provisional). MEPL benefits from its experienced management. The directors have more than two decades of experience in the industry.

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Outlook: Stable

SMERA believes that MEPL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if the company is able to expand its scale of operations without compromising on profitability and registers improvement in the liquidity position. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the scalability amidst intensifying competition in the area of operation or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Company

Manisha Engineers Private Limited (MEPL) was incorporated in 1992 by the Late Mr. Milind Deshpande and Mrs. Neelambari Deshpande. The company is engaged in the manufacture, maintenance and distribution of transformers and installation of substations on turnkey basis. The day-to-day activities are managed by Mrs. Neelambari Deshpande.

For FY2013-14, MEPL reported profit after tax (PAT) of Rs.0.75 crore on operating income of Rs.33.48 crore, as compared with PAT of Rs.0.96 crore on operating income of Rs.36.81 crore in FY2012-13. The firm's net worth stood at Rs.4.14 crore as on March 31, 2014, as compared with Rs.3.39 crore a year earlier.

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