

Press Release

Manisha Engineers Private Limited

July 22, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 8.00 crore bank facilities of Manisha Engineers Private Limited. The outlook is '**Stable**'.

MEPL was incorporated in 1992 by 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

Key Rating Drivers

Strengths

- Experienced management with long track record of operations**

MEPL was incorporated in 1992. The Directors, Mrs. Neelambari Deshpande & Mrs. Nalini Deshpande have more than two decades of experience in electronics industry.

- Moderate financial risk profile:**

The company has moderate financial risk profile marked by moderate net worth of Rs. 7.19 crore in FY2016-17(Provisional) as compared to Rs. 6.63 Crore in FY2015-16. MEPL's gearing stood at 0.95 times as on 31 March 2017 (Provisional) as compared to 0.83 times as on 31 March 2016. Coverage indicators stand moderate with Interest coverage ratio of 2.11 times for FY 2017(Provisional) as compared to 2.43 times for FY2016. The TOL to TNW (Total outside liabilities to total tangible net worth) stood high at 4.30 times as on March 31, 2017 (Provisional).

Weaknesses

- Moderate scale of revenues and profitability:**

MEPL's scale of operations is moderate with operating income of Rs. 36.77 crore for FY 2015-16 as against Rs. 34.57 crore in FY 2014-15. Further MEPL has reported operating income of Rs. 24.09 crore in FY 2016-17 (provisional), registering a decline of ~34 per cent over FY2015-16. The decline is mainly on account of decrease in volume sales due to new guidelines issued by government of India for BIS approval. MEPL's operating margins have improved to 8.62 per cent in FY2016-17 (provisional) as against 7.03 Per cent in FY2015-16. The net profit margins have improved to 2.23 per cent in FY2016-17 (provisional) as against 1.86 in FY2015-16. MEPL has unexecuted order book of Rs. 120 crore as on June 30, 2017. The order book position gives revenue visibility for next three years.

- Working capital intensive operations**

MEPL has working capital intensive operations with gross current assets (GCA) of 442 days for FY

2015-16 as against 496 days in FY2014-15 on account of high inventory of 176 days (PY:147 days) and high debtors of 261 days (PY:258 days) in FY 2015-16. Further for FY2016-17, GCA days stood at 490. Average cash credit limit utilization for the last six months stood at ~99 per cent with adhoc limit given to the extent of 20 per cent of the sanctioned limit as and when required.

• Customer concentration Risk

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 which accounts for ~50 per cent of MEPL's revenue.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that MEPL will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues and profit margins with improved working capital management. Conversely, the outlook may be revised to 'Negative' if there is a decline in revenues scale or profitably or in case of deterioration in the company's financial risk profile.

About the Project

None

About the Group

None

About the Rated Entity - Key Financials

For FY2015-16, MEPL reported profit after tax (PAT) of Rs.0.69 crore on operating income of Rs.36.77 crore compared with PAT of Rs. 0.80 crore on operating income of Rs.34.57 crore in the previous year. The net worth stood at Rs.6.63 crore as on 31 March, 2016 compared to Rs.4.94 crore in the previous year.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Aug-2016	Cash Credit	Long Term	INR 3	SMERA B / Stable
	Bills Discounting	Short Term	INR 2	SMERA A4

07-Jul-2015	Letter of Credit	Short Term	INR 2.75	SMERA A4
	Bank Guarantee	Short Term	INR 0.25	SMERA A4
	Cash Credit	Long Term	INR 3	SMERA B / Stable
	Bills Discounting	Short Term	INR 2	SMERA A4
	Letter of Credit	Short Term	INR 2.75	SMERA A4
	Bank Guarantee	Short Term	INR 0.25	SMERA A4

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.75	SMERA A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA A4

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