

April 27, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	40.00	SMERA BB/Stable (Assigned)
Working Capital Demand Loan	26.00	SMERA BB/Stable (Assigned)
Bank Guarantee	110.00	SMERA A4+ (Assigned)

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.176.00 crore bank facilities of Michigan Engineers Private Limited (MEPL). The outlook is '**Stable**'.

The ratings derive comfort from the experienced management and established track record of operations. The ratings also factor in the low gearing, reputed clientele and healthy order book. However, the ratings are constrained by the working capital intensive operations and fluctuating revenues and profitability.

Rating Sensitivity Factors

- Scaling up operations and profitability
- Efficient working capital management
- Timely execution of projects

Outlook – Stable

SMERA believes that MEPL will maintain a 'Stable' business risk profile over the medium term on account of its experienced management and healthy order book. The outlook may be revised to 'Positive' if the company generates healthy cash flows through successful execution of projects while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in the company's liquidity position or in case of delays in project execution or if the company undertakes larger than expected debt funded capex.

About the Company

MEPL, established in 1972 under the directorship of Dr. Manubhai N Patel and family. It is a 51 per cent subsidiary of Patel Engineering Limited. The company is a leading civil engineering firm that specialises in trenchless technology. The company also undertakes underground works like pipeline rehabilitation, pipe-jacking, pipe-ramming, micro-tunneling, water drainage, sewage projects and other heavy civil work.

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SMERA RATINGS LIMITED

Michigan Engineers Private Limited (MEPL)

Rating
Rationale

For FY2014-15, MEPL reported profit after tax (PAT) of Rs.2.11 crore on operating income of Rs.149.58 crore, as compared with profit after tax (PAT) of Rs.12.85 crore on operating income of Rs.231.03 crore in FY2013-14.

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