

Mel Systems and Services Limited: Assigned

Name of the Instrument	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	9.00	SMERA B+/Stable
Term Loan	2.00	SMERA B+/Stable
Bank Guarantee	5.00	SMERA A4
Letter of Guarantee	4.00	SMERA A4

SMERA has assigned ratings of '**SMERA B+**' (**read as SMERA B plus**) and '**SMERA A4**' (**read as SMERA A four**) to the Rs.20.00 crore bank facilities of Mel Systems and Services Limited (MELSS). The outlook is '**Stable**'.

The ratings draw comfort from the company's experienced and qualified management, moderate financial risk profile and established relations with reputed clientele. However, the ratings are constrained by the working capital intensive operations and declining sales trend.

MELSS is headed by Mr. N. Ramachandran (Director) who possesses over a decades experience in electronics and IT Solutions business. The company's clientele includes reputed names such as Indian Space Research Organisation (ISRO), Bharat Electronics, Hindustan Aeronautics Limited (HAL) among others. The EBITDA margin improved to 14.35 per cent in FY2015 as compared to 11.33 per cent in FY2014 on account of increased contribution of service and commission income as a percentage of total operating income from 25% in FY2014 to 38% in FY2015.

The operations of MELSS are working capital intensive as it caters mainly to the government sector leading to delayed receipts. The revenues of MELSS have been declining since FY2013 and stood at Rs. 26.46 for FY2014-15. The revenue for FY2016 stands at Rs.20 crore (provisional).

Rating Sensitivity Factors

- Improvement in profit margins and scaling up of operations
- Efficient working capital management

Outlook-Stable

SMERA believes MELSS will maintain a Stable business risk profile over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining comfortable debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

Criteria applied to arrive at the ratings:

- Manufacturing Entity

About the Company

MELSS, a Tamil Nadu-based company, incorporated in 1990 provides IT solutions, electronic testing, repair and rework services catering to a host of industries including defence, telecommunication, electronics among others.

The company reported sales of Rs.26.46 crore for FY2014-15. The profit after tax (PAT) is Rs.0.03 crore.

Contacts:

Analytical	Media
Mr. Mohit Jain Vice President – Ratings Operation, 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.