

**Mel Systems and Services Limited: Assigned**

<b>Name of the Instrument</b>	<b>Amount (Rs Crore)</b>	<b>Ratings/Outlook</b>
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.



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ABOUT SMERA

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