



**Press Release**  
**Mecgale Pneumatics Private Limited**  
**March 26, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE A   Stable   Reaffirmed	-
Bank Loan Ratings	135.00	-	ACUITE A1   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	145.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE A**' (read as **ACUITE A**) and short-term rating of '**ACUITE A1**' (read as **ACUITE A one**) on Rs.145.00 crore bank facilities of Mecgale Pneumatics Private Limited (MPPL). The outlook '**Stable**'.

**Rationale for rating reaffirmation:**

The rating reaffirmation considers extensive experience of the promoters, stable operating performance of the group, healthy order book position, reputed clientele and adequate liquidity position. Mecgale group has registered revenue of Rs.238.76Cr by posting a growth rate of 11 percent in FY23 against Rs.216.65Cr of FY22. Further the group has reported revenue of Rs.~225Cr till March 10, 2024 hinting a stable growth in revenue in FY24 backed by healthy outstanding orderbook position of Rs.702Cr as on February, 2024. The EBITDA margin remained range bound between 13.5-14.5 percent and expected to remain in the healthy range on account of availability of raw material and man power at cheaper rates. The rating also draws comfort from the healthy financial risk profile and adequate liquidity position. The rating is however constrained by the elongated receivable cycle and the group's dependence on timely execution of orders along with receipt of successful bids.

**About Company**

Nagpur based MPPL, established in 1994 as a partnership firm and later reconstituted as private limited in 2003 is promoted by Mr. Tapas Sarkar and Mr. Taritkumar Sarkar. The group offers a range of end-to-end material-handling solutions that involve designing, engineering, manufacturing, constructing, and commissioning of material handling system parts (such as ash handling system, pneumatic conveying system, coal handling systems, water, effluent and sewage systems etc.) and caters to various industries including power, steel and cement.

**About the Group**

Mecgale group is a Nagpur based entity which offers a range of end-to-end material-handling solutions through its flagship group Mecgale Pneumatics Private Limited (MPPL). Other entities in the group include Ace Conveyors Pvt Ltd (ACPL) and Mecgale Automation Private Limited (MAPL). ACPL is engaged in manufacturing of specific components required in the systems designed and manufactured by MPPL. MAPL is engaged in manufacturing of electrical panels required in the systems manufactured by MPPL.

## **Analytical Approach**

### **Extent of Consolidation**

- Full Consolidation

### **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuité has consolidated the business and financial risk profile of Mecgale Pneumatics Private Limited (MPPL), Ace Conveyors Pvt Ltd (ACPL) and Mecgale Automation Private Limited (MAPL) to arrive at the rating due to significant business synergies and common management. The group is herein referred to as Mecgale Group.

## **Key Rating Drivers**

### **Strengths**

#### **Extensive experience of promoters with an established position in the material handling system with a diversified clientele**

Mecgale group is one of the major players in the material handling system and has been undertaking turnkey projects for pneumatic conveying systems and provide end to end solutions for manufacturing Ash Handling System, Pneumatic Conveying System, Coal Handling Systems, etc. The promoters, Mr. Tapas Sarkar and Mr. Taritkumar Sarkar have experience of three decades in this industry. The extensive experience of the promoters helps the company to maintain an longstanding relation with the reputed customer base which includes Maharashtra State Power Generation Group, Lafarge India Pvt. Ltd., NALCO, ACC Limited, NTPC Limited, ISGEC Heavy Engineers Limited, Thermax Limited etc. The Mecgale group draws repeat business through its long-standing relationships with clients. The group has a team of 250 trained people consists of more than 100 qualified and experienced engineers including strong in-house design team for ash handling, bulk material handling systems, etc. which further strengthens execution capabilities.

Acuité believes that Mecgale group will continue to benefit from its experienced management, established relations with its customers and suppliers along with long track record of operations.

#### **Steady growth in operations amidst healthy orderbook position:**

The group has shown steady improvement in its operating performance in FY23 and same has been sustained in the current year. The group has registered revenue of Rs.238.76Cr by posting a growth rate of 11 percent during FY23. The improvement in revenue is on account of strong order book position coupled by increasing demand for conveying systems. Mecgale group has a healthy order book position of Rs. 702.07Cr as on February 29, 2024 providing a healthy revenue visibility over the medium term. Such orders comprise of Rs.136.21Cr of ongoing orders and Rs.565.86Cr of orders where the execution is yet to be started. The growth is also reflective of the company's long-term relationship with reputed clients like NTPC, Thermax, JSW Energy, Maharashtra State power generation company limited among others. Further the company has reported revenue of Rs.207.98Cr till March 10, 2024 and expected to register revenue in the range of Rs.245-250Cr by the end of the year.

The EBITDA margin of the group remained range bound between 13.5-14.5 percent during past 3 years. The EBITDA margin has improved to 14.39 percent in FY23 from 13.82 percent of FY22. Growth in EBITDA margin is mainly on account of low raw material and low manpower cost during the year. The group sustained similar growth in margins at 14.36 percent till March 10, 2024. Further PAT margin has increased to 10.21 percent in FY23 against 9.81 percent of FY22. Acuite believes that the operations of the group will further improve over the medium term on account of presence of healthy order book.

### **Healthy financial risk profile:**

Financial risk profile of the group is healthy marked by healthy net worth, capital structure and debt protection metrics. Group's net worth stood at Rs. 140.87 Cr as on March 31, 2023 as compared to Rs. 118.45Cr as on March 31, 2022. Improvement in net worth is on account accretion for profits to reserves. Mecgale group's capital structure is comfortable marked with healthy gearing and total outside liabilities to total net worth (TOL/TNW) of 0.06 times and 0.49 times respectively as on March 31, 2023 as against 0.05 times and 0.56 times as on March 31, 2022. The coverage indicators were moderate with DSCR of 18.52 times as on March 31st 2023 as against 16.60 times as on March 31st 2022. Interest coverage stood at 24.21 times as on March 31st 2023 as against 21.77 times as on March 31st 2022. Debt to EBITDA is continued to remain healthy at 0.25 times during FY23 from 0.20 times during previous year.

Acuite believes that the financial risk profile of the company will remain comfortable for FY24 as well on account of healthy net worth position.

### **Weaknesses**

#### **Intensive nature of working capital operations**

The working capital operations of the company are intensive in nature marked by GCA days of 273 days in FY23 as against 261 days in FY22. The high GCA days are driven by higher debtor collection period. the debtor collection period stood at 193 days in FY23 as against 198 days in FY22. The group also has various government entities such as NTPC and Maharashtra State power generation company where the payment is usually delayed. Debtors of the group stood at Rs. 127.97Cr as on 31st March 2023 and Rs. 118.02Cr as on 31st March 2022. The company has to maintain retention money of 10 percent of the project cost for the defect liability period, which is 12- 18 months. Such retention balance is included in the total receivables. As on 31st March 2023, approx. Rs.40-45Cr. of retention money is included in the receivables.

Major raw material of the company includes steel which is procured locally with a credit period of 45-60 days. For certain suppliers an LC is opened with a duration of 90 days. Creditor days stood at 131 days in FY23 as against 133 days in FY22. Inventory days of the company stood at 43 days in FY23 as against 39 days in FY22. The company's reliance on fund bases and non-fund bases limits remains moderate. The average utilization of fund based working capital limits stood at 63.4 percent for 12 months ended December 2023 and bank guarantee limits remained utilized at 81 percent as on December 2023. Acuite believes that working capital operations of the group will remain intensive over the medium term on account of its nature of business.

#### **Cash flows dependent on receipt and timely execution of orders**

The group's cash flows are exposed to economic spending and receipts of orders. The group is partly dependent on successful bids and the tenders being released in the financial year. However, with the current order book position, the group exhibits healthy revenue visibility for near to medium term. Further, some projects have elongated execution period from 6 months to 18 months thus faces the challenge of timely execution of orders.

Acuite believes that it is critical for the group to execute orders in hand within stipulated timelines for sustained performance.

### **Rating Sensitivities**

- Sustainable and significant improvement in scale of operations and profitability margins.
- Deterioration in working capital operations leading to stretched liquidity.

### **Liquidity position: Adequate**

Mecgale group's liquidity position is adequate which is evident from sufficient net cash accruals (NCA) against the nil debt repayment obligations. The group has reported Net Cash Accruals (NCA's) of Rs.25.69Cr on March 31, 2023 against nil debt repayment obligations. The

cash accruals are estimated to remain in the range of Rs.26.5-28Cr in the medium term against expected debt repayment range of Rs.0-1.5Cr for the same period.

The group's unencumbered cash and bank balances stood at Rs.13.41Cr as on March 31, 2023, providing additional comfort towards liquidity. The group's fund based working capital limits which were utilized moderately at an average of ~63 percent during the past 12 months ending December, 2023. Besides current ratio of the group stood at 2.58 times as on March 31, 2023. Acuite believes that liquidity position of the group will remain adequate in the medium term on account of sufficient NCA.

### **Outlook: Stable**

Acuité believes that the outlook on the group will remain 'Stable' over the medium term on account of its promoter's extensive experience, healthy financial risk profile and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	238.76	216.65
PAT	Rs. Cr.	24.38	21.26
PAT Margin	(%)	10.21	9.81
Total Debt/Tangible Net Worth	Times	0.06	0.05
PBDIT/Interest	Times	24.21	21.77

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

Not Applicable

### Any Other Information

None

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

### Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Dec 2022	Bank Guarantee (BLR)	Short Term	110.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	25.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A   Stable (Reaffirmed)
08 Oct 2021	Bank Guarantee/Letter of Guarantee	Short Term	110.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee/Letter of Guarantee	Short Term	10.00	ACUITE A1 (Upgraded & Withdrawn)
	Bank Guarantee/Letter of Guarantee	Short Term	55.00	ACUITE A1 (Upgraded & Withdrawn)
	Cash Credit	Long Term	10.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Letter of Credit	Short Term	5.00	ACUITE A1 (Upgraded & Withdrawn)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	135.00	ACUITE A1   Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A   Stable   Reaffirmed

### \*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

- Mecgale Pneumatics Private Limited
- Ace Conveyors Private Limited.
- Mecgale Automation Private Limited.



## Contacts

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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