

Press Release
MECGALE PNEUMATICS PRIVATE LIMITED
June 06, 2025
Rating Assigned and Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	27.25	ACUITE A+ Stable Assigned	-
Bank Loan Ratings	10.00	ACUITE A+ Stable Upgraded	-
Bank Loan Ratings	75.00	-	ACUITE A1+ Assigned
Bank Loan Ratings	135.00	-	ACUITE A1+ Upgraded
Total Outstanding Quantum (Rs. Cr)	247.25	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE A+**' (read as **ACUITE A plus**) from '**ACUITE A**' (read as **ACUITE A**) and short-term rating to '**ACUITE A1+**' (read as **ACUITE A one plus**) from '**ACUITE A1**' (read as **ACUITE A one**) on Rs.145 Cr. bank facilities of Mecgale Pneumatics Private Limited (MPPL). The outlook is '**Stable**'.

Acuite also has assigned its long-term rating of '**ACUITE A+**' (read as **ACUITE A plus**) and short-term rating of '**ACUITE A1+**' (read as **ACUITE A one plus**) on Rs.102.25 Cr. additional bank facilities of Mecgale Pneumatics Private Limited (MPPL). The outlook is '**Stable**'.

Rationale for rating upgrade:

The rating upgrade reflects the group's consistent growth in operating income and absolute operating profits over the past three years ending FY2024, with expectations of continued improvement in FY2025, supported by a healthy order book position. Additionally, the rating considers the strengthening financial risk profile, characterized by increasing net worth, minimal debt levels, and robust coverage indicators. Furthermore, it incorporates the group's long-standing operational track record and the promoters' extensive experience in the material handling systems industry, along with a diversified clientele. However, the rating remains constrained by the intensive nature of working capital operations and the dependence of cash flows on the timely execution of orders.

About the Company

Nagpur based Mecgale Pneumatics Private Limited (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 Pneumatics Private Limited (MECGALE GROUP), established in 1994 and reconstituted as a private

limited company in 2003, is promoted by Mr. Tapas Umapada Sarkar and Mr. Tarit Kumar Sarkar. The group

manufactures Material Handling System Parts for various industries, including power, steel, cement, and chemicals, with a team of around 250 professionals. Ace Conveyors Private Limited (ACPL), incorporated in 2008, focuses on manufacturing and fabrication, managed by Mr. Tapas Sarkar and Ms. Soma Tarit Sarkar. Mecgale Automation Private Limited (MAPL), founded in 2012, offers turnkey automation solutions, managed by Mr. Tarit Kumar Sarkar and Ms. Sukanta Basu. Mecgale Engineering Private Limited (MEPL), a wholly owned subsidiary of MPPL, established in 2023, manufactures machinery for EPC and infrastructure development, managed by Mr. Tapas Umapada Sarkar and Mr. Tarit Kumar Sarkar. All companies are based in Nagpur, Maharashtra.

Unsupported Rating

Not applicable

Analytical Approach

Extent of Consolidation

• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has considered the consolidated the business and financial risk profiles of MPPL, ACPL, MAPL and MEPL to arrive at the rating. The consolidation is in the view of a similar line of business, common management, and significant business and financial interlinkages between these entities. 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 undertakes 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 more than three decades in this industry. The extensive experience of the promoters helped the company in maintaining 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 around 250 trained people consists of more than 100 qualified and experienced engineers including in-house design team for ash handling, bulk material handling systems, etc. which further strengthens execution capabilities.

Acuite 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 operating performance with estimated improvement in FY2025:

The group's revenue in FY2024 has improved by ~8.5 percent to Rs.256.36 Cr. compared to FY2023 revenue of Rs.236.19 Cr. Further, it is estimated to register a strong growth in revenue for FY2025 with revenue around Rs.395 Cr –Rs.410 Cr. This growth in revenue during FY2025 is due to strong order book position coupled with increasing demand for conveying systems. The growth is also reflective of the company's established long-term relationships with reputed clients like NTPC, Thermax, JSW Energy, Maharashtra state power generation company limited among others. Additionally, the EBITDA margin of the group has remained healthy with marginal improvement year-on-year. The margin is estimated to be in the range of 15-15.3 percent in FY2025, compared to 15.27 percent in FY2024. The stable margins are on account of presence in niche engineering solutions and integrated operations. Further PAT margin is also estimated to remain stable in the range of 11-11.3 percent FY2025, compared to 11 percent in FY2024.

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 comfortable net worth, healthy capital structure and strong debt protection metrics. Group's net worth stood at Rs. 163.19 Cr. as on March 31, 2024 as compared to Rs. 140.87 Cr. as on March 31, 2023. Improvement in net worth is on account accretion of profits to reserves. Mecgale group's total debt, which primarily consists of short-term debt stood nominal at Rs.8.99 Cr. as on March 31, 2024 against Rs.8.85 Cr. as on March 31, 2023. This resulted in a healthy gearing level at 0.06 times as on

March 31, 2024 and total outside liabilities to total net worth (TOL/TNW) of 0.45 times as on March 31, 2024 as against 0.06 times and 0.44 times as on March 31, 2023. The debt protection metrics stood healthy with debt service coverage ratio (DSCR) of 20.04 times and interest coverage ratio of 26.43 times in FY2024. Further, Debt to EBITDA is continued to remain healthy at 0.22 times during FY2024 compared to 0.25 times during previous year.

Acuite believes that the financial risk profile of the company will remain healthy over the medium term despite expected debt infusion for capex.

Weaknesses

Intensive nature of working capital operations

The working capital operations of the company are intensive in nature marked by GCA days of 288 days in FY2024 as against 268 days in FY2023. The high GCA days are driven by higher debtor collection period. Debtors of the group stood at Rs. 138.89 Cr. as on 31st March 2024 and Rs.122.76 Cr. as on 31st March 2023. 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 2024, approx. Rs.55 Cr. of retention money is included in the receivables. The group also has various government entities such as NTPC and Maharashtra State power generation company where the payment is usually delayed and hence the debtor collection period stood at 194 days in FY2024 as against 186 days in FY2023. Major raw material of the company includes steel which is procured locally with a credit period of 45-60 days. For certain suppliers like Jindal Steel an LC is opened with a duration of 90 days. Inventory days of the company stood at 44 days in FY2024 as against 43 days in FY2023. Creditor days stood at 120 days in FY2024 as against 118 days in FY2023. The company's reliance on fund based and non-fund based limits stood moderate at 81 percent for 6 months ended March 2025. 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 improvement in scale of operations and profitability margins.
- Deterioration in working capital operations leading to stretched liquidity.

Liquidity position: Adequate

The group is estimated to register Net Cash Accruals (NCA's) of Rs.45Cr- Rs.50 Cr. in FY2025 against nil debt repayment obligations. The cash accruals are estimated to remain in the range of Rs.55 -75 Cr. in FY2026-FY2027 against expected debt repayment range of Rs.0.5-3.6 Cr. for the same period. Further, the group is estimated to have unencumbered cash and bank balances around Rs.40-45 Cr. as on March 31, 2025 providing additional comfort towards liquidity. Intensive working capital operations have led to moderate reliance on the fund based working capital limits which were utilized in the range of ~81 percent during the past 6 months ending March, 2025. Acuite believes that liquidity position of the group will remain adequate in the medium term on account of generation of sufficient NCA.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	256.36	236.19
PAT	Rs. Cr.	28.19	24.37
PAT Margin	(%)	11.00	10.32
Total Debt/Tangible Net Worth	Times	0.06	0.06
PBDIT/Interest	Times	26.43	24.24

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

Not applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Mar 2024	Cash Credit	Long Term	10.00	ACUITE A Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	135.00	ACUITE A1 (Reaffirmed)
27 Dec 2022	Cash Credit	Long Term	10.00	ACUITE A Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	110.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	25.00	ACUITE A1 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	135.00	Simple	ACUITE A1+ Upgraded (from ACUITE A1)
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	75.00	Simple	ACUITE A1+ Assigned
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A+ Stable Upgraded (from ACUITE A)
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A+ Stable Assigned
Bank of Baroda	Not avl. / Not appl.	Term Loan	20 Dec 2024	Not avl. / Not appl.	31 Aug 2033	9.75	Simple	ACUITE A+ Stable Assigned
Bank of Baroda	Not avl. / Not appl.	Term Loan	20 Dec 2024	Not avl. / Not appl.	30 Jun 2033	7.50	Simple	ACUITE A+ Stable Assigned

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

Sr.No.	Company name
1	Mecgale Pneumatics Private Limited
2	Ace Conveyors Private Limited
3	Mecgale Automation Private Limited
4	Mecgale Engineering Private Limited

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About Acuité Ratings & Research

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