

## Press Release

### MAHAVEER ELECTRIC AGENCIES MADRAS (MEAM)

February 20, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 16.00 Cr.
<b>Long Term Rating</b>	SMERA B+ / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERAB+**' (read as **SMERABplus**) on the Rs.16.00 crore bank facilities of MAHAVEER ELECTRIC AGENCIES MADRAS (MEAM). The outlook is '**Stable**'.

MEAM was established by Mr. Sumermal in 1975 and currently managed by his son Mr. Suresh Kumar (Proprietor). The proprietorship concern based at Bangalore has two branches located at Chennai and Ahmedabad. It provides end to end solution in supply of electrical fittings and lighting solutions to industrial, residential and corporate clients. It is also engaged in supply and distribution of philips bulbs, finolex fires, philips garden bulbs, lamps, luminaries, electric gears, and accessories.

### Key Rating Drivers

#### Strengths

- **Experience Management and established track record**

MEAM operations are currently managed by Mr. Suresh Kumar (Proprietor) headquarters in Bangalore. The Promoter has more than three decades of experience in same business which has helped to create established relationship with customers and suppliers.

- **Average Financial Risk Profile**

The financial risk profile of the firm is average marked by net worth of Rs. 3.03 crore as on 31 March, 2017 as compared to Rs.3.07 crores in FY2016. The Gearing ratio stood high at 6.68 times as on 31 March, 2017 as against 6.19 times in 31 March, 2016. The interest coverage ratio (ICR) stood at 1.16 times in FY2017 as against 1.17 times in FY2016.

#### Weaknesses

- **Working capital intensive nature of operations**

The operations are working capital intensive marked by high Gross Current Assets days which stood at 272 days in FY2017 and 282 days in FY2016. GCA days was high on account of high Inventory days which increased to 230 days in FY2017 as compared to 217 days in FY2016. The Debtor days were 57 days in FY2017 and 79 days in FY2016.

- **Intense competition in lighting and electrical works industry**

MEAM is exposed to intense competition in the lighting and electrical works segment marked by the presence of several small to mid-sized players.

#### Analytical Approach

SMERA has considered the standalone business and financial risk profiles of MEAM to arrive at the rating

### Outlook: Stable

SMERA believes that MEAM will maintain a stable business risk profile in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	54.00	50.75	36.56
EBITDA	Rs. Cr.	4.00	3.71	3.59
PAT	Rs. Cr.	0.42	0.39	0.33
EBITDA Margin	(%)	7.41	7.30	9.83
PAT Margin	(%)	0.77	0.78	0.89
ROCE	(%)	17.12	13.28	21.75
Total Debt/Tangible Net Worth	Times	6.68	6.19	10.00
PBDIT/Interest	Times	1.16	1.17	1.16
Total Debt/PBDIT	Times	5.06	5.12	7.97
Gross Current Assets (Days)	Days	274	282	338

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

None

### Any other information

Not any

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Service entities - <https://www.smera.in/criteria-services.htm>

### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Not Applicable

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.00	SMERA B+ / Stable

## Contacts

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 <a href="mailto:suman.chowdhury@smera.in">suman.chowdhury@smera.in</a>  Rupesh Patel Analyst - Rating Operations Tel: 022-67141320 <a href="mailto:rupesh.patel@smera.in">rupesh.patel@smera.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>

## ABOUT SMERA

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