

Meeka Machinery Private Limited: Assigned

| Facilities | Amount (Rs Crore) | Ratings/Outlook |
|----------------|-------------------|---------------------------|
| Cash Credit | 3.50 | SMERA B/Stable (Assigned) |
| Term Loan | 0.10 | SMERA B/Stable (Assigned) |
| Bank Guarantee | 4.00 | SMERA A4 (Assigned) |

SMERA has assigned long term rating of **'SMERA B' (read as SMERA B)** and short term rating of **'SMERA A4' (read as SMERA A four)** on the above mentioned bank facilities of Meeka Machinery Private Limited (MMPL). The outlook is **'Stable'**. The ratings derive strength from the experienced management. However, the ratings are constrained by the low scale of operations, stretched liquidity position and working capital intensive business.

MMPL, incorporated in 1992, is an Ahmedabad-based company engaged in the manufacture of material handling equipments including cranes and hoists. The company is headed by Mr. Bhavin Garg, Director with around two decades of experience in the capital goods industry. The company registered revenue of Rs.8.81 crore as on March 31, 2016 as against Rs.6.64 crore as on March 31, 2015.

However, the ratings are constrained by the low scale of operations in spite of the long track record of around 24 years in the capital goods industry. MMPL's faces stretched liquidity position due to delays in debtor realisation. The debtor days stood at 151 for FY2016 as against 174 days in the previous year. The company's operations are capital intensive reflected in the gross current assets (GCA) of 412 days in FY2015-16. The high GCA emanates from the high inventory holding days due to the long time taken to manufacture cranes and hoists.

Rating Sensitivity Factors

- Change in scale of operations, profit margins
- Change in the financial risk profile
- Efficient working capital management

Outlook-Stable

SMERA believes that the outlook of MMPL would remain stable on account of its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the company achieves healthy revenue momentum with stable profitability while maintaining an effective working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

MMPL, incorporated in 1992, is an Ahmedabad-based company that manufactures material handling equipments such as cranes and hoists.

For FY2015–16, the company reported profit after tax (PAT) of Rs.0.13 crore on operating income of Rs.8.81 crore, as against net profit of Rs.0.05 crore on operating income of Rs.6.64 crore in FY2014–15. The net worth stood at Rs.3.43 crore as on March 31, 2016 as compared to Rs.3.31 crore a year earlier.

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ABOUT SMERA

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