

February 01, 2013

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	1.50	SMERA D / Assigned
Term Loan I	0.40	SMERA D / Assigned
Term Loan II	1.80	SMERA D / Assigned
Term Loan III	1.68	SMERA D / Assigned
Letter of Credit	1.50	SMERA D / Assigned
Bank Guarantee	0.25	SMERA D / Assigned

SMERA has assigned a rating of '**SMERA D**' (**read as SMERA D**) to Rs. 5.38 crores long term facilities (fund based) and Rs. 1.75 crores short term facilities (non – fund based). The rating primarily takes into consideration MEPL's delays in servicing term loan instalments and frequent over drawings in cash credit account. The rating is further constrained on account of the company's small scale of operations which remain vulnerable to fluctuations in foreign exchange rates and liquidity pressure arising from working capital intensive nature of business. However, the ratings derives support from the long standing experience of the promoters spanning almost two decades and company's average financial profile characterised by adequate debt coverage indicators, steady revenue growth and reasonable operating margins in the last few years.

MEPL is relatively a small player in the fragmented capacitor industry dominated by few players and manufactures capacitors for power and special purpose applications. Medium Voltage (MV) to High Voltage (HV) capacitors collectively contribute around 70% of total sales, whereas rest is contributed by special purpose capacitors used in defence, research institutes and atomic research etc.

MEPL mainly caters to Public Sector undertakings and large corporates such as Punjab State Power Corporation Limited, Bhabha Atomic Research Centre (BARC) and Areva T & D India Limited (ECOFI) etc. MEPL has maintained long relationship with some of its key customers which assures revenue generation every year.

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MEPL has moderate financial risk profile; the Total Debt to Equity ratio stands at 1.13 times as on 31/Mar/2012. Interest coverage ratio stands at 4.58 times in FY 2012 as against 7.36 times in FY 2011 and debt service coverage ratio stands at 2.84 times in FY 2012 as against 5.42 times in FY 2011.

About Magnewin Energy Private Limited

MEPL was incorporated in May 2009 & took over the running business of "Magnewin Magnetics", a partnership firm of promoters which was established in the year 1991. MEPL is engaged in manufacturing of power and special application capacitors. MEPL manufactures LV, MV and HV capacitors for textile spinning mills, coal fields, chemical plants, sugar mills and transmission and distribution companies in power sector and also manufactures special purpose capacitors used in defence, research institutes etc. These capacitors can be used for varied applications, which include Power factor improvement, harmonic filtration and Special Capacitors for Govt. of India, Defence and Research institutes. During FY10-11, MEPL increased the capacity of its Sangli (Maharashtra) based factory from 3200 capacitors to 6000 capacitors per year and further to 8000 capacitors in FY 2012. It utilised 95% of its installed capacity in FY 12.

Management of MEPL comprises of Mr. Vijaykumar S. Chippalkatti and Mr. Vinod S. Bolaj who are electrical engineers and have around 20 years of experience in the similar line of business.

MEPLs revenue has increased consistently over last five years with a CAGR of 52%. MEPL has earned PAT of Rs. 1.28 (In crores) on the operating income of Rs. 13.15 (In crores) for FY 2012.

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