



Meru Industries

Instrument	Amount	Rating Action
Long-term, fund-based facilities – Cash Credit	Rs 5.0 Crore	[ICRA]BBB/Stable upgraded
Long-term, fund-based facilities - Term Loan	Rs 10.0 Crore	[ICRA]BBB/Stable upgraded
Short-term, non-fund based facilities	Rs 25.0 Crore	[ICRA]A3+ upgraded

ICRA has upgraded the long term rating assigned to Rs.5.0 crore cash credit and Rs. 10.0 crore term loan facilities of Meru Industries² (Meru) to [ICRA]BBB (pronounced as ICRA triple B) from [ICRA]BBB- (pronounced as ICRA triple B minus). ICRA has also upgraded the short term rating on the Rs.25 crore short term non fund based facility of Meru to [ICRA]A3+ (pronounced ICRA A three plus) from [ICRA]A3 (pronounced as ICRA A three). The outlook on the long term rating is stable.

The ratings up gradation take into account sustained improvement in firm's capital structure and coverage indicators in the backdrop of healthy cash accruals and robust free cash flows. The ratings also favourably factors in robust order book position of the firm which provides adequate revenue visibility for the near future with the management expecting to achieve turnover of over Rs 200 crore in FY2015-16; however, timely execution of the same remains critical. Sizeable share of incremental order inflow is for co-generation and ethanol unit which is relatively stable business as compared to currently stressed sugar business. Earlier, during 2013-14, Meru's revenue as well as profitability was impacted sharply owing to deferment in order execution though these orders were successfully executed in subsequent year i.e. 2014-15.

The ratings continue to draw comfort from the stable component business, which provides cushion to profitability during slowdown in Sugar investment cycle. The ratings are however constrained by the modest scale of operations as compared to the other players in the industry as well as the susceptibility of the firm to the capex cyclicalities of sugar segment as witnessed by the drop in revenues in 2013-14. ICRA also notes that being a partnership firm, significant withdrawal by partners could adversely affect firm's debt coverage indicators.

Company Profile

Incorporated in 1988, Meru Industries is a partnership firm engaged in heavy engineering fabrication and machining components. The firm manufactures machinery for sugar plants and erect complete sugar plants on turnkey basis. Meru Industries is duly accredited by the various government organizations, i.e. National Cooperative Dairy Corporation (NCDC), National Federation of Cooperative Sugar Factories Limited (NFCSF) and Commissioner of Sugar (Government of Maharashtra) for supply of critical equipment like Teethed Roller Pressure Feeder (TRPFs), Grooved Roller Pressure Feeder (GRPFs), Crushing Mills as well as turnkey solution for sugar and bio ethanol plants. The firm is managed by Mr. Sharad Gore, a first generation entrepreneur having close control over firm's operations.

Recent Results

Meru reported a PBT of Rs.1.9 crore in 2013-14 on an operating income of Rs.54.8 crore. The company has reported operating profit before depreciation, interest, amortization and tax (OPBDITA) of Rs.1.8 crore in the same period. As per unaudited provisional results, in 2014-15, the company has reported an operating income of Rs. 144.4 crore and PBT of Rs. 13.7 crore.

June 2015

For further details, please contact:

Analyst Contacts:

Mr. Subrata Ray (Tel. No. +91 22 6114 3408)
subrata@icraindia.com

Relationship Contacts:

Mr. L. Shivakumar, (Tel. No. +91 22 6114 3406)
shivakumar@icraindia.com



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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**Mobile: **9871221122**Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**Mobile: **9821086490**Email: shivakumar@icraindia.com

1802, 18th Floor, Tower 3,
Indiabulls Finance Centre,
Senapati Bapat Marg,
Elphinstone, Mumbai 400013,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**Mobile: **+91 9903394664**Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**Mobile: **989986490**Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-
79-25569231

Pune**Mr. L. Shivakumar**Mobile: **989986490**Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills
Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad**Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500