



## Rating Rationale

### Meridian Corporation

26 June 2018

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 11.95 Crores of Meridian Corporation.**

### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	11.95	Long Term	<b>BWR BB-</b> (Pronounced as BWR Double B Minus) <b>Outlook:Stable</b>
Non Fund Based#	(0.70)	Short Term	<b>BWR A4+</b> (Pronounced as BWR A Four Plus)
<b>Total</b>	<b>11.95</b>	<b>INR Eleven Crores and Ninety Five Lakhs Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

# Non fund based limit is a sublimit of fund based limit

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the firm's audited financial results upto FY17, provisional financials of FY18, projected financials of FY19 as well as publicly available information and the information/clarifications provided by the firm.

The ratings draws strength from experience of the promoters in the line of business, increase in scale of operations and firm's improved profitability . However, the rating is constrained by moderately weak financial risk profile, high level of inventory and risk exposed to price fluctuations of raw materials. Further, being a partnership firm, any significant withdrawal from the capital/current account by the partner would adversely impact the capital structure, hence this remains a rating sensitivity.

Going forward, the ability of the firm to increase network will be the key rating sensitivity.

### Description of Key Rating Drivers

- **Credit Strengths:**

1. **Experience of promoters in the line of business:** Mr. Jasmin Shiyani is the managing partner of the firm with an experience of 10 years in the line of business.
2. **Increase in scale of operations:** MC has registered an increase in scale of operations from Rs.22.33 Crs in FY17 to Rs.42.05 Crs in FY18 (Provisional).

3. **Improved profitability:** In FY17 net profit margin was at 0.88% which further improved to 2.00% in FY18 (Provisional).
  4. **Moderate debt protection metrics of the firm:** Both the debt protection metrics of the firm remained moderate with an ISCR at 2.51 times and DSCR at 1.07 times in FY18.
- **Credit Risks:**
    1. **Moderately weak financial risk profile:** As per scale of operations and level of debt, Meridian Corporation has low networth of Rs.3.74 Crs in FY17 which further increased to Rs.3.89 Crs in FY18(provisional). Further, the concern is highly geared at 2.93 times in FY18 (Provisional) coupled with moderate debt protection metrics in FY18 (provisional). However, unsecured loans are subordinated with the bank and treated as quasi capital leading to a networth of Rs.5.24 crs and gearing at 1.92 times in FY18.
    2. **Risk exposed to price fluctuations of raw materials:** Metals like Brass and copper scrap is one of the major raw materials of the firm. Further, any fluctuations in the metal prices could have an adverse effect on the profitability of the firm.

### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### **Rating Outlook:Stable**

BWR believes the **Meridian Corporation** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **About the Company**

Meridian Corporation (MC) is a partnership firm incorporated in the year 2010 in Jamnagar, Gujarat.The firm manufactures Brass components like sanitary ware and rods which are further exported to countries like UAE, Kuwait.These manufactured components are used in industries such as automotive components, and fixtures and fittings.

### **Company Financial Performance**

The firm has reported an operating income of Rs.22.33 Crs in FY17 which further improved to Rs.42.05 Crs in FY18 (Provisional). Tangible networth stood at Rs.3.74 Crs as on 31st March 2017.

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	<b>Fund Based</b>	Long Term	11.95	<b>BWR BB- (Outlook:Stable)</b>	NA	NA	NA
	<b>Non Fund Based</b>	Short Term	(0.70)	<b>BWR A4+</b>			
	<b>Total</b>		<b>11.95</b>	<b>₹ Eleven Crores and Ninety Five Lakhs Only</b>			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments  
Any other information

### Key Financial Indicators

Key Parameters	Units	2017	2016
<b>Result Type</b>		<b>Audited</b>	<b>Audited</b>
Operating Revenue	₹ Cr	22.33	28.74
EBITDA	₹ Cr	1.80	1.65
PAT	₹ Cr	0.20	0.24
Tangible Net worth	₹ Cr	3.74	2.84
Total Debt/Tangible Net worth	Times	2.11	2.76
Current Ratio	Times	1.39	1.21

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website



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#### For print and digital media

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#### Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf). Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹ 48,803 Cr have been rated.

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