

Mukand Engineers Limited

Kalwe Works : Thane-Belapur Road,
Post Office Kalwe, Thane, Maharashtra
India 400 605.

Tel : 91 22 2172 7500 / 7700 F : 91 22 2541 0291

E : mel@mukand.com

Regd Office: Bajaj Bhavan, Jamnalal Bajaj Marg,
226 Nariman Point, Mumbai, India 400 021.

www.mukandengineers.com

CIN L45200MH1987PLC042378

26th November, 2019

The General Manager, BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai- 400 001 ISIN Code: INE022B01014 BSE Scrip Code: 532097	The Manager, National Stock Exchange of India Limited Exchange Plaza Bandra-Kurla Complex Bandra (E) Mumbai 400 051 ISIN Code: INE022B01014 Symbol: MUKANDENGG.
---	---

Dear Sir/Madam,

Sub: Intimation of Credit Rating pursuant to Regulation 30(3) of the Sebi (Listing Obligations & Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations, 2015)

Pursuant to Regulation 30(3) of the SEBI Listing Regulations, 2015, we have to inform you that M/s Brickwork Ratings India Private limited has provide the credit ratings to the company as given below:

Old Credit rating	New Credit Ratings	Rating Action
FIXED DEPOSIT		Downgrade
BWR FB+ Outlook- Credit watch with developing implication	BWR FC	
Cash Credit		
BWR B+ Outlook- Credit watch with developing implication	BWR C	
BG & LC		
BWR A4	BWR A4	

Copy of rating rational issued by M/s Brickwork Rating India Private limited is enclosed for your reference.

Kindly acknowledge the receipt.

Thanking You,

Yours Faithfully,
For MUKAND ENGINEERS LIMITED

D. J. Vora

Dhawal J. Vora
Company Secretary

Rating Rationale

Mukand Engineers Ltd

21 Nov 2019

Brickwork Ratings reviews the ratings of Bank Loan of Rs.115 Cr and Fixed Deposit of Rs.18.22 Cr of Mukand Engineers Ltd.

Particulars

Bank Loan Rating

Facility	Facility (Crs)	Current Facilities	Tenure	Previous Rating (April 2019)	Rating Based on Current Review
Cash Credit	30.00	30.00	Long Term	BWR B+ (Pronounced BWR B Plus) Outlook: Credit Watch with Developing Implications	BWR C (Pronounced BWR C)
BG	75.00	75.00	Short Term	BWR A4 (Pronounced BWR A Four)	BWR A4
LC	10.00	10.00			
Total	115.00	115.00	(INR One Hundred Fifteen Crore Only)		

Fixed Deposit Rating

Facilities	Limits (Crore)	Tenure	Previous Rating ¹ (April 2019)	New Rating ¹	Description	Rating Action
FUND BASED Fixed Deposit	18.22	Long Term	BWR FB+ (Pronounced BWR F B Plus) Outlook: Credit Watch with Developing Implications	BWR FC (Pronounced BWR F C)	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations.	Downgrade
Total	18.22	(INR Eighteen Crore Twenty Two Lakhs only)				



* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

RATING ACTION:

Downgrade of Bank loan and fixed deposit rating with substantial deterioration in operating performance of the company for 1HFY20.

BWR has relied upon MEL's 2QFY20 financial results, audited financials up to FY19, publicly available information, and the information/clarifications provided by the Company.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

Downgrade in rating followed the substantial deterioration in operating performance of the company in 1HFY20 leading to substantial operating loss and erosion of networth. The liquidity conditions of the company continued to be stressed with elongated working capital cycle and continuous devolvement of LCs.

The above negative factors are partially offset by long operating track record of the Company, professional and experienced management team.

In April 2019, BWR had placed the company under "Credit Watch with Developing Implications" on account of announcement made by MEL and Mukand Ltd. for their amalgamation. Mukand Ltd. has filed a notice of amalgamation of Mukand Engineers Ltd. with Mukand Ltd. with NCLT - Mumbai, to be effective from April 1, 2019.

The whole process is expected to be completed in 3QFY20. With substantial deterioration in credit profile in 1HFY20, credit rating of the company is downgraded.

Analytical Approach

As of now, Mukand Engineers Ltd., is rated on a stand-alone basis. Please refer to applicable criteria as per details given at the end.

Key Risk Drivers for rating:

Deteriorating Performance: During FY19, company's revenues declined by 27.5% leading to the increase in net loss to Rs. 22 Cr. Deterioration trend continued in FY20 as well. During 1HFY20 company's revenue declined by 4% YoY and company made operating loss of Rs. 8.7 Cr and net loss of Rs.15.2 Cr. Continued losses by the company has led to erosion in networth by Rs. 17 Cr as on Mrch 31, 2019 to Rs.0.57 Cr as on September 30, 2019.

Performance of the company for FY19 and FY20 was impacted because of prolongation of execution of many projects particularly Electrical projects of BHEL and NTPC due to delay in synchronization of power plants. Delay in completion led to increase in cost. The company has lodged claims for costs and time overruns. As per the policy of the Company, these will be considered for revenue recognition only on acceptance by Client.



Poor Liquidity Conditions: Liquidity cycle is poor since most of the working capital is blocked in high levels of receivables and inventory. As such, the working capital facility is utilised in full and there have been increase in the number of instances of devolvement of LCs, though it is cured within the period of 30 days.

Weak Debt Protection Metrics: Debt protection metrics continue to be weak on account of deteriorated operating performance of the company and losses.

Long Operating Track Record: Mukand Engineers Ltd., a public limited company is an associate company of Mukand Ltd. The company was formerly a division of Mukand Ltd. The company's management has more than four decades of expertise in wide areas of project construction covering civil, structural, mechanical, piping, electrical and instrumentation works.

About the Company

Mukand Engineers Limited (MEL), a public limited company, is an associate company of Mukand Limited. It was incorporated in January, 1987 under the name Mukand Construction and Project Engineering Company Private Limited. It was carved out of the engineering division of Mukand Limited and the latter holds around 36% in the Company.

MEL is in the business of Engineering Procurement and Construction (EPC) activities including project and design engineering, feasibility, planning, civil and structural work which includes mechanical, electrical, instrumentation and piping for the clients in petroleum, power generation, fertilizers, steel and aluminium manufacturing sectors.

In March 2019, MEL made an announcement of its amalgamation with Mukand Ltd. Mukand Ltd. had filed a notice of amalgamation of MEL with NCLT - Mumbai, to be effective from April 1, 2019 and whole process is expected to be completed in 3QFY20.

Company Financial Performance

Rs. Crore	FY17	FY18	FY19	1HFY19	1HFY20
Total Operating Income	132.3	75.9	55.05	27.3	26.3
Operating profit	3.8	-4.4	-10.8	-2.7	-8.7
Net Profit	-2.6	-10.9	-22.0	-7.7	-15.1
Total Debt	60.2	43.5	75.4		92.0
Tangible Networkth	53.7	39.4	17.0		0.6
Gearing	1.1	1.1	4.4		161.4
Current Ratio	1.17	1.09	0.9		0.8

Company is continuously incurring operating losses and in 1HFY20 it has reached to an extent to wipe off its network.

Total debt of the company increased with increase in intercorporate deposits of Rs.40 Cr.

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (Rs Crs)	Rating	April 2019	March 2018	March 2017
1	Cash Credit	Long Term	30	BWR C	BWR B+ (Credit Watch with Developing Implication)	BWR B+ (Stable)	BWR BB- (Stable)
2	Bank Guarantee	Short Term	75	BWR A4	BWR A4	BWR A4	BWR A4
3	LC	Short Term	10	BWR A4	BWR A4	BWR A4	BWR A4
4	Fixed Deposit	Long Term	18.22	BWR FC	BWR FB+ (Credit Watch with Developing Implication)	BWR FB+ (Stable)	BWR FBB- (Stable)
	Total		133.22				

Hyperlink/Reference to Applicable Criteria

• [General Criteria](#)

• [Short Term Debt](#)

• [Approach to Financial Ratios](#)

• [Infrastructure Sector](#)

For any other criteria obtain hyperlinks from website



Analytical Contacts	Investor Contacts
<p>Bal Krishna Piparaiya Senior Director - Ratings B : +91 22 2831 1426, +91 22 2831 1439 piparaiya.bk@brickworkratings.com</p> <p>Forum R Parekh Assistant Manager - Ratings D : +91 22 6745 6621 B : +91 22 2831 1426, +91 22 2831 1439 forum.rp@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>
1-860-425-2742	

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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.

DISCLAIMER Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons