

Mittal Engineering Works

October 07, 2022

Ratings

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	6.25	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	3.96	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Revised from CARE BB- / CARE A4 (Double B Minus / A Four) and moved to ISSUER NOT COOPERATING category; Stable outlook assigned
Total Bank Facilities	10.21 (₹ Ten Crore and Twenty-One Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Mittal Engineering Works to monitor the rating(s) vide e-mail communications/letters dated September 05, 2022, September 20, 2022 among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, Mittal Engineering Works has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Mittal Engineering Works bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING** and **CARE B+ / CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Mittal Engineering Works has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on Mittal Engineering Works bank facilities will now be denoted as **CARE B+; Stable ISSUER NOT COOPERATING** and **CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings assigned to the bank facilities of Mittal Engineering Works (MEW) have been revised on account of small scale of operations along with modest networth base, moderate profitability margins which are further susceptible to volatile input prices. The rating are further constrained by the presence of MEW in a highly fragmented and competitive nature of industry and partnership nature of constitution with an inherent risk of withdrawal of capital.

The above constraints however, derive comfort from long track record of operations and extensive experience of promoters in the steel pipes manufacturing industry, comfortable capital structure and debt coverage indicators and established customer base along with diversified end user industry

Detailed description of the key rating drivers

At the time of last rating on October 05, 2021 the following were the rating strengths and weaknesses (updated for the information available from Mittal Engineering Works:

Key Rating Weaknesses

Small scale of operations; albeit improvement in TOI in FY22 and modest net-worth base:

The scale of operations remained moderate marked by total operating income of Rs.33.39 crore in FY22(Prov.) as against Rs.19.08 crore in FY21. The increase in TOI is mainly due to strong demand from its end user industry. However, the operations of the firm have seen strong recovery with relaxations in lockdown and improvement in economic activity as

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

indicated by sales of Rs.16.83 crore during 5MFY23(April 1 to August 31, 2022). Moreover, Cold Drawn Welded (CDW) tubes manufacturing commenced in June 2020 with installed capacity of 200 Tonnes per month (TPM) which is likely to support the growth in sales going forward.

Despite the improvement, the small scale of operations of MEW coupled with modest tangible net worth of the firm at Rs.13.06 crore as on March 31, 2022(Prov.) limits the financial flexibility of the firm in times of stress and economic downturn. *Going ahead, sustenance of the recovery and further improvement in scale of operations is a key rating monitorable.*

Decline in profitability margins in FY22 and susceptibility to volatile input prices:

The PBILDT margin stood moderate in range of 4%-11% for the last three years ended FY22 (provisional). The PBILDT margin declined by 567 bps to 4.59% in FY22 (as against 10.26% in FY21) mainly on account of increase in the cost of materials (MS Steel coils and steel sheets). However, the price of the raw materials generally remain volatile in nature and are governed by global steel price and market sentiments prevailing. Hence, profitability margins remain susceptible to volatility in raw material prices. Further, PAT margin also moved in tandem and stood in the range of 1% - 4% for the last three years ended FY22(Provisional).

Fragmented and competitive nature of industry:

The products manufactured by MEW find application in Auto components, Furnitures, structural and engineering purposes, fencing, line pipes, scaffolding. Further, this sector is highly dependent on the economic cycles of the country. Amid situations like COVID-19, majority of the companies have deferred CAPEX plans/construction related activities for the medium term significantly impacting sales of companies manufacturing products related these areas. However, with relaxations in lockdowns and improvement in economic activity the sector has seen improvement in the recent past. The operations of the company further get impacted due to fragmented nature and competitive nature of industry.

Partnership nature of constitution:

Being a partnership concern, it is exposed to the risk of withdrawal of capital by the partners on personal emergencies and restricted financial flexibility due to inability to explore cheaper sources of finance leading to limited growth potential.

Key Rating Strengths

Long track record of operations and experienced promoters:

MEW has been engaged in manufacturing of sheet metal components for more than three decades. The firm is currently promoted by Mittal family and is run by second generation entrepreneurs Mr. Mukesh Suresh Mittal and Mr. Sachin Naresh Mittal. The promoters of the firm, Mr. Mukesh Mittal, Mr. Sachin Mittal have an average experience of around two decades in the industry. The long standing experience of the promoters along with demonstrated track record of operations has helped the firm in garnering good relations with key stakeholders

Comfortable capital structure; albeit deterioration in debt coverage indicators in FY22:

The capital structure of the firm marked by overall gearing ratio moderated to 0.84x as on March 31, 2022(Prov.) as against 1.05x as on March 31, 2021(A) respectively. The moderation in overall gearing levels is mainly on account lower utilization of working capital borrowings during the year end date along with improvement in networth base from Rs.10.57 crore in FY21 to Rs.13.06 crore in FY22 (Prov.). Despite the moderation, the capital structure has remained comfortable. Further with marginal weakening in gearing levels, the debt coverage indicators of the firm also moderated as indicated by interest coverage ratio and total debt to GCA of 1.75x and 16.70x as at the end of FY22(Prov.) as against 2.31x and 10.02x as at the end of FY21.

Established customer base along with diversified end user industry:

Over the years, MEW has established good relations with customers which helps in receiving repeat orders. Further, the end user industry is diversified with sales made to Auto, structural and furniture manufacturing companies which in turn reduces the impact of sales of MEW in case of slowdown in any particular industry.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Criteria on assigning Outlook and credit watch to Credit Ratings](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's Methodology for Short-term Instruments](#)

[Rating Methodology - Manufacturing Companies](#)

About the Company

Established in 1984 by Mr. Naresh Ramkumar Mittal, Mittal Engineering Works (MEW) is based in Pune and is currently promoted by the second-generation entrepreneurs, Mr. Mukesh Suresh Mittal and Mr. Sachin Naresh Mittal. The firm is currently engaged in the business of manufacturing of ERW pipes (MS Black and Galvanized), CDW pipes in various sizes, grades and specifications as per customer requirement and colour coated Steel sheets. The manufacturing facility of MEW is located at Chakan, Pune with an aggregate installed capacity to manufacture ERW tubes of 500 tons per month, CDW tubes of 200 tons per month and colour coated sheets of 25 tons per month.

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (P)	5MFY23
Total operating income	19.08	33.39	16.83
PBILDT	1.96	1.53	NA
PAT	0.52	0.19	NA
Overall gearing (times)	1.05	0.84	NA
Interest coverage (times)	2.31	1.75	NA

A: Audited

Current year's performance: During 5MFY23 (refers to the period April 1, 2022 to August 31, 2022), the firm has achieved ToI of around Rs.16.83 crore.

Status of non-cooperation with previous CRA: ACUITE B+ / ACUITE A4 Issuer did not co-operate based on best available information vide PR dated October 22, 2021

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of the rated facilities: Detailed explanation of covenants of the rated facilities is given in Annexure-3

Complexity level of various facilities rated for this company: Annexure-4

Annexure-1: Details of Facilities

Name of the Facilities	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	January-2025	2.25	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	4.00	CARE B+; Stable; ISSUER NOT COOPERATING*
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	3.96	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	2.25	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (05-Oct-21)	1)CARE BB-; Stable (07-Oct-20)	1)CARE BB-; Stable (25-Oct-19)
2	Fund-based - LT-Cash Credit	LT	4.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (05-Oct-21)	1)CARE BB-; Stable (07-Oct-20)	1)CARE BB-; Stable (25-Oct-19)
3	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST*	3.96	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB- / CARE A4 (05-Oct-21)	1)CARE BB-; Stable / CARE A4 (07-Oct-20)	1)CARE BB- / CARE A4 (25-Oct-19)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of the covenants of the rated facilities – Nil**Annexure 4: Complexity level of various facilities rated for this firm**

Sr. No.	Name of Facilities	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media contact

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Manohar S Annappanavar
Phone: 8655770150
E-mail: manohar.annappanavar@careedge.in

Relationship contact

Name: Aakash Jain
Phone: +91-20-4000 9090
E-mail: aakash.jain@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**