

Mittal Appliances Limited

March 11, 2021

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2.50	CARE BBB+; Stable; ISSUER NOT COOPERATING* (Triple B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	52.50	CARE BBB+; Stable / CARE A3+; ISSUER NOT COOPERATING* (Triple B Plus; Outlook: Stable/ A Three Plus ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	20.00	CARE A3+; ISSUER NOT COOPERATING* (A Three Plus ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	-	Withdrawn@	Reaffirmed at CARE BBB+; Stable/CARE A3+ (Triple B Plus; Outlook: Stable/A Three Plus) and Withdrawn
Long Term Bank Facilities	-	Withdrawn@	Reaffirmed at CARE BBB+; Stable (Triple B Plus; Outlook: Stable) and Withdrawn
Total Facilities	75.00 (Rs. Seventy-Five Crore Only)		

Details of instruments/facilities in Annexure-1

@ based on No Objection Certificate received from lenders and request from client.

Detailed Rationales and key rating drivers

CARE has been seeking information from Mittal Appliances Limited (MAL) to monitor the rating(s) vide e-mail communications/letters dated November 23, 2020, February 05, 2021 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on MAL's bank facilities will now be denoted as **CARE BBB+; Stable/CARE A3+; 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).

For arriving at the ratings of the bank facilities of MAL, CARE has taken a combined view of the Mittal Group (MG) entities, namely, MAL and Mittal Coin Private Limited (MCPL) due to their operational (same line of operations with major portion sales of MCPL to MAL) and managerial linkages (common promoters).

The ratings takes into account vast experience of the promoters of MG, its established operational set-up and track record of more than three decades in the casting of ferrous and non-ferrous alloys (mainly coin blanks) its moderate scale of operation, moderate profitability and moderate capital structure.

The ratings are, however, constrained on account of its moderate debt coverage indicators, high degree of customer concentration; albeit low counter-party risk, large working capital requirements and susceptibility of MG's profitability margins to volatility in metal prices and foreign currency exchange rates. The ratings also take cognizance of moratorium availed by MAL on the repayment obligations on some of its bank facilities as granted by lenders for the period from March-2020 to August-2020 as a Covid relief measure, in line with Reserve Bank of India (RBI) guidelines.

CARE has reaffirmed and subsequently withdrawn the outstanding ratings of CARE BBB+; Stable /CARE A3+ [Triple B Plus; Outlook: Stable/ A Three Plus] assigned to certain bank facilities of MAL with immediate effect. The above action has been

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

taken at the request of MAL and 'No Objection Certificate' received from those banks that have extended the facilities rated by CARE.

Detailed description of the key rating drivers

At the time of last rating on December 20, 2019 the following were the rating strengths and weaknesses (updated for the information available from Annual Report for the year ended as on March 31, 2020):

Key Rating Strengths

Experienced promoter along with established operations in manufacturing of coin blanks

Mr Dineshchand Mittal, promoter of MG is a management graduate and has an industry experience of over three decades. He is supported by his son Mr Anshul Mittal, who manages the operations and marketing aspects of the group. The promoters of MG are engaged in manufacturing of coin blank and coils since last many years through MAL. MG is engaged in manufacturing of coin blanks and has an operational track record of more than three decades with a casting capacity of 18,070 Metric Tonne Per Annum (MTPA) as on March 31, 2020. The manufacturing facility of MCPL is also equipped with the ability to manufacture cupro-nickel coil, coin blank, ingots, etc., thereby enhancing the product profile of the group. The board of directors is supported by a team of professionals; however, the decision-making is mainly promoter-driven.

Moderate order book along with reputed clientele

As on October 31, 2019, MAL had a moderate order book of Rs.304 crore to be executed over a period of next one year, thereby providing medium term revenue visibility for the group. Furthermore, MAL expects to receive a major order for Rs.20 coin which is presently in the pipeline. Majority of the orders of MAL are from Indian Government Mint (IGM), which is a Government of India undertaking and hence the counter-party credit risk is very low. In the past, MG has executed several orders for IGM as well as for multiple international clients such as the Royal Canadian Mint (RCM), Banco Central de Reserve Del, Peru, Central Bank of Malaysia, etc.

Moderate scale of operations along with moderate profitability

On combined basis, total operating income (TOI) of MG grew from Rs.331.09 crore during FY19 to Rs.459.12 crore during FY20. Profit before interest, lease, depreciation and tax (PBILDT) margin of MG remained moderate at 7.05% during FY20 as compared to 7.73% during FY19. Profit after tax (PAT) declined margin declined by 38 bps from 3.12% during FY19 to 2.74% during FY20 on the back increase in the interest and finance cost and moderate depreciation.

Moderate capital structure

On combined basis, MG's had moderate capital structure marked by overall gearing of 1.29x as on March 31, 2020 as compared to 1.38x as on March 31, 2019 on the back of accretion of profit to net-worth base. Total debt moderately increase from Rs.144.47 crore as on March 31, 2019 to Rs.150.04 crore as on March 31, 2020.

Key Rating Weaknesses

High degree of customer concentration; albeit low counter party risk

The growth in revenue of MAL is highly dependent upon orders from IGM which is also evident from the fact that nearly 93% of its order book as on October 31, 2019 comprises orders from IGM, thereby reflecting high customer concentration risk. However, on the other hand, counter-party credit risk is low as IGM is part of Security Minting and Printing Corporation of India (SPMCIL), a wholly owned schedule-A Mini-Ratna category-I, company of Government of India. Further, MG has also diversified in-to the manufacturing of copper ingots and copper billets with completion of capex and operationalization the same during Q4FY20.

Large working capital requirements

The gross current assets of MG remained high at Rs.162.78 crore as on March 31, 2020 as compared to Rs.174.10 crore as on March 31, 2019. Overall creditors (which were majorly LC backed) declined from Rs.122.74 crore as on March 31, 2019 to Rs.38.74 crore as on March 31, 2020. MG had long gross current asset days of 235 days in FY19 as against 168 days in FY20. Its operating cycle shortened from 82 days in FY19 to 70 days in FY20 mainly due moderation in the avg. inventory holding days as on March 31, 2020. The share of net working capital to operating capital employed of MG remained high at 81% during FY20 which exhibits the high working capital intensity of its operations.

Susceptibility of MG's profitability margins to volatility in metal prices and foreign currency exchange

MG's main raw material includes copper, nickel etc., whose price remains volatile driven by domestic as well as international demand-supply factors. MG imports 45-50% of its raw material requirement. MAL's present order book has a pricing formula which is linked to the average price of the base metals on the London Metal Exchange (LME) during the month immediately preceding the month of delivery to the customer. However, in case of high inventory holding or delayed off-take by customer

it is exposed to higher raw material price fluctuation risk. Hence, MAL procures its raw materials in line with the targeted delivery schedule and hedges its open exposure through commodity exchanges which mitigates raw price volatility risk to some extent. Furthermore, MAL's sales price formula for majority of its orders is linked to US Dollar denominated LME prices, hence, MAL has natural hedge to a certain extent on its foreign exchange exposure. Furthermore, with establishment of MCPL, imported raw material which constituted almost 54% of total cost of material consumed during FY16 has gradually come down to 45% during FY19.

Moderate debt coverage indicators

With increase in total debt and moderate profitability, the debt coverage indicators of MG deteriorated but remained at moderate level marked by total debt to GCA (TDGCA) of 9.47x and PBILDT interest coverage ratio of 2.71x in FY20 as against 11.77x and 2.64x respectively during FY19. However, with improved order execution and reduction in debt levels during H1FY20, its PBILDT interest coverage improved to 3.54x.

Liquidity -Adequate

MG had adequate liquidity marked by moderate debt repayment obligation as compared to its envisaged cash accruals. Its fund based working capital utilization remained low at 41.50% whereas its non-fund based working capital utilization remained at 60.51% for past 12 months ended October 31, 2019. On a combined basis, MG had cash and bank balance of Rs.10.01 crore as on March 31, 2020 (Rs.11.85 crore as on March 31, 2019) apart from lien marked FD of Rs.13.07 crore as on March 31, 2020 (Rs.15.08 crore as on March 31, 2019). On a combined basis, MG reported negative cash flow from operation of Rs.54.71 crore during FY20 as compared positive cash flow from operation of Rs.31.74 crore in FY19. MG's current ratio and quick ratio remained moderate at 1.53 times and .104 times respectively as on March 31, 2020 as compared to 1.43 times and 0.73 times respectively as on March 31, 2019.

Analytical approach: Combined.

Combined financial and operational profile of MAL and MCPL due to their operational (same line of operations with major portion of sales of MCPL to MAL) and managerial linkages (common promoters). Also, both companies are closely held entities having cash flow fungibility.

Applicable Criteria:

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

[Policy on withdrawal of ratings](#)

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology: Consolidation](#)

[Rating Methodology - Manufacturing Companies](#)

[Rating Methodology – Non-Ferrous Companies](#)

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

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

About the Company

Incorporated in 1985, Indore-based MAL (CIN: U28122MH1985PLC174619) is flagship company of Mittal Group (MG). Promoted by Mr Dineshchand Mittal, it is a closely-held, predominantly family-managed company engaged in the casting of ferrous and non-ferrous alloys (mainly coin blanks) with an installed capacity of 9,570 metric tonne per annum (MTPA) as on March 31, 2020. MAL has executed several orders for Indian Government Mint (IGM) and international customers such as the Royal Canadian Mint (RCM), Banco Central de Reserve Del, Peru, Central Bank of Malaysia, etc.

Promoters of MAL have promoted another entity named MCPL in December 2013. The company had undertaken green field project to manufacture copper and copper alloy products including cupronickel coin blanks, ingots, coil etc. It commenced commercial production in April 2016 with an installed manufacturing capacity of 8,000 MTPA at its facility located in Pithampur, Madhya Pradesh. MAL and MCPL together referred to as Mittal Group (MG).

(Rs. crore)

Brief Financials (Rs. Crore)- Combined	FY19 (UA)	FY20 (UA)
Total operating income	331.09	459.12
PBILDT	25.59	32.37
PAT	10.33	12.60
Overall gearing (times)	1.38	1.29
PBILDT Interest coverage (times)	2.64	2.71

UA: Un-audited (Financials are combined by CARE on basis of line by line addition and netting off inter group transactions)

(Rs. crore)

Brief Financials (Rs. Crore)- Standalone	FY19 (A)	FY20 (A)
Total operating income	421.09	457.77
PBILDT	17.44	20.41
PAT	6.61	8.09
Overall gearing (times)	1.51	1.13
PBILDT Interest coverage (times)	2.57	2.32

A: Audited

Status of non-cooperation with previous CRA: Not Applicable**Any other information:** Not Applicable**Rating History (Last three years):** Please refer Annexure-2**Covenants of rated instruments/facility:** Not Applicable**Complexity level of various instruments rated for this company:** Please refer Annexure-3.**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	2.50	CARE BBB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Letter of credit	-	-	-	33.75	CARE BBB+; Stable / CARE A3+; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantees	-	-	-	18.75	CARE BBB+; Stable / CARE A3+; ISSUER NOT COOPERATING*
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	20.00	CARE A3+; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Non-fund-based - LT/ST-Letter of credit	-	-	-	0.00	Withdrawn
Non-fund-based - LT/ST-Bank Guarantees	-	-	-	0.00	Withdrawn

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	2.50	CARE BBB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB+; Stable (20-Dec-19)	1)CARE BBB+; Stable (06-Nov-18)	1)CARE BBB+; Stable (05-Oct-17)
2.	Non-fund-based - LT/ST-Letter of credit	LT/ST	33.75	CARE BBB+; Stable / CARE A3+; ISSUER NOT COOPERATING*	-	1)CARE BBB+; Stable / CARE A3+ (20-Dec-19)	1)CARE BBB+; Stable / CARE A3+ (06-Nov-18)	1)CARE BBB+; Stable / CARE A3+ (05-Oct-17)
3.	Non-fund-based - LT/ST-Bank Guarantees	LT/ST	18.75	CARE BBB+; Stable / CARE A3+; ISSUER NOT COOPERATING*	-	1)CARE BBB+; Stable / CARE A3+ (20-Dec-19)	1)CARE BBB+; Stable / CARE A3+ (06-Nov-18)	1)CARE BBB+; Stable / CARE A3+ (05-Oct-17)
4.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	20.00	CARE A3+; ISSUER NOT COOPERATING*	-	1)CARE A3+ (20-Dec-19)	1)CARE A3+ (06-Nov-18)	-
5.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BBB+; Stable (20-Dec-19)	1)CARE BBB+; Stable (06-Nov-18)	1)CARE BBB+; Stable (05-Oct-17)
6.	Non-fund-based - LT/ST-Letter of credit	LT/ST	-	-	-	1)CARE BBB+; Stable / CARE A3+ (20-Dec-19)	1)CARE BBB+; Stable / CARE A3+ (06-Nov-18)	1)CARE BBB+; Stable / CARE A3+ (05-Oct-17)
7.	Non-fund-based - LT/ST-Bank Guarantees	LT/ST	-	-	-	1)CARE BBB+; Stable / CARE A3+ (20-Dec-19)	1)CARE BBB+; Stable / CARE A3+ (06-Nov-18)	1)CARE BBB+; Stable / CARE A3+ (05-Oct-17)

*Issuer did not cooperate; Based on best available information

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - ST-Bills discounting/ Bills purchasing	Simple
3.	Non-fund-based - LT/ ST-Bank Guarantees	Simple
4.	Non-fund-based - LT/ ST-Letter of credit	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact Us

Media Contact

Mradul Mishra

Contact no. - +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Akhil Goyal

Contact no. - +91-79-40265621

Email: akhil.goyal@careratings.com

Business Development Contact

Deepak Prajapati

Contact no. - +91-79-40265602

Email: deepak.prajapati@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's 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. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**