

## Mittal Enterprises

April 12, 2021

### Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Short Term Bank Facilities	15.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Facilities	15.00 (Rs. Fifteen Crore Only)		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated February 17, 2020, placed the rating of Mittal Enterprises under the 'issuer non-cooperating' category as ME had failed to provide information for monitoring of the ratings. ME continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated April 07, 2021, April 06, 2021, April 05, 2021. 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.

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

### Detailed description of the key rating drivers

At the time of last rating on February 17, 2020, the following were the rating strengths and weaknesses.

#### Key Rating Weaknesses

##### ***Limited experience of proprietor***

MEP is engaged in trading of crude palm oil and is managed by Mr. Kushal Mittal. Mr. Kushal Mittal has an experience of 2 years which he has gained through his association with MEP only. However, the proprietor is supported by experienced staff to manage day to day operations.

##### ***Foreign exchange fluctuation risk***

The raw material procurement is done completely from the international market, thereby exposing the firm to risks associated with adverse fluctuations in the foreign currency. With cash outlay for sales in international currency & sales realization in domestic currency and in the absence of any hedging mechanism, the firm is exposed to the fluctuation in exchange rates.

##### ***Proprietorship nature of constitution***

MEP's constitution as a proprietorship firm has the inherent risk of possibility of withdrawal of the proprietor's capital at the time of personal contingency and firm being dissolved upon the death/retirement/insolvency of proprietor. Moreover, proprietorship firms have restricted access to external borrowing as credit worthiness of proprietor would be the key factors affecting credit decision of the lenders.

##### ***High degree of competition resulting from fragmented nature of the edible oil industry***

Low barriers to entry have resulted in highly fragmented nature of the edible oil industry. Furthermore, most of the players offer similar products with little difference which competes with each other resulting in lower margins for most of the players. Furthermore, despite having better health benefits and priced much less than any other edible oils, palm oil industry faces tough competition because of the presence of a number of close substitute products in market. Olive oil, copra, and rice bran oil are slotted as main substitute of palm oil and they have a variety of products under their category for which they pose serious threat to the profit margin of the players operating in palm oil segment.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

\*Issuer did not cooperate; Based on best available information

### Key Rating Strengths

#### **Stable demand outlook for edible oil industry**

The long-term outlook of edible oil demand in India is favorable on expectation of increasing population, increase in per capita consumption which in turn would be driven by changing lifestyles, growing urbanization, increasing proportion of middle-class population and steadily arising affluence levels. The near-term outlook for the edible oil companies is expected to be stable edible oil domestic demand.

**Analytical Approach:** Standalone

#### **Applicable Criteria**

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

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

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

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

[Liquidity analysis of Non-financial sector entities](#)

[CARE's methodology for manufacturing companies](#)

[Criteria for short term instruments](#)

#### **About the firm**

Mittal Enterprises (MEP) was established as a partnership firm in 2014. However, the operations started in February 2016. It was changed to proprietorship concern w.e.f. April 2018. It is currently being managed by Mr. Kushal Mittal. The firm is engaged in trading of crude palm oil at its facility located in Bathinda, Punjab. The firm imports traded goods from Malaysia, Singapore and Dubai and sells it to refinery units all over the country. The firm has a group concern – Kushal Impex, which is also into trading of crude palm oil since 2016.

<b>Brief Financials (Rs. crore)</b>	<b>FY17 (A)</b>	<b>FY18 (A)</b>
Total operating income	38.82	45.31
PBILDT	2.09	1.67
PAT	1.59	1.28
Overall gearing (times)	4.41	0.94
Interest coverage (times)	4.13	4.25

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

#### **Annexure-1: Details of Instruments/Facilities**

<b>Name of the Instrument</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Size of the Issue (Rs. crore)</b>	<b>Rating assigned along with Rating Outlook</b>
Non-fund-based - ST-ILC/FLC	-	-	-	15.00	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 Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Non-fund-based - ST-ILC/FLC	ST	15.00	CARE A4; ISSUER NOT COOPERATING *	-	-	1)CARE A4; ISSUER NOT COOPERATING * (17-Feb-20)	1)CARE A4 (06-Feb-19)

*Issuer did not cooperate; Based on best available information*

**Annexure-3: Detailed explanation of covenants of the rated facilities:** Not Applicable

**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Non-fund-based - ST-ILC/FLC	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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### 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

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**