

RATING RATIONALE

M/s Mittal Construction Unit

Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of ₹20.00 Crores of M/s Mittal Construction Unit

Particulars:

Facility	Amount (₹ Crs)		Tenure	Previous Rating (May, 2020)	Rating Present*
	Previous	Present			
Fund Based Cash Credit	11.00	11.00	Long Term	BWR BB (Stable) Downgraded ISSUER NOT COOPERATING	BWR BB+ (Stable) Upgraded
Non Fund Based Bank Guarantee	9.00	9.00	Short Term	BWR A4 Downgraded ISSUER NOT COOPERATING	BWR A4+ Upgraded
Total	20.00	20.00	INR TWENTY CRORES ONLY		

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

**Annexure-I provides details of bank wise facilities

RATING ACTION / OUTLOOK

BWR upgrades the long term ratings and short term ratings to M/s Mittal Construction Unit as BWR BB+(Stable)/A4+

The rating draws its strength from the Experienced Promoters and established relationships with key customers and Moderate Financial Risk Profile. The rating of the firm is constrained by the Constitution of the entity as Partnership Firm, Tender Based Business, Declining Scale of operations and Impact of Covid-19.



KEY RATING DRIVERS

Credit Strengths:

- 1. Experience of the Partners-** The key partner of the firm Mr. RK Mittal has an experience of almost 4 decades in the same line of business. He is further supported by other active partners who are qualified engineers and have an experience of 2 decades individually.
- 2. Moderate Financial Risk Profile:** The financial risk profile of the firm is moderate as evidenced by decrease in gearing ratio from 0.84 times in FY18 to 0.74 times in FY19. The tangible net worth stood at Rs. 22.10 Cr. in FY19. The debt protection metrics of the firm is average with an ISCR at 1.44x and DSCR at 1.29x for the FY 19. The current ratio of the firm is also moderate at 1.85 in FY 19.

Credit risks:

- 1. Constitution of the entity as Partnership Firm-** Constitution as Partnership firm has the inherent risk of possible withdrawal of the capital by the partners due to personal exigencies which can adversely affect its capital structure.
- 2. Tender Based Business :** The firm participates in tenders floated by state and central government departments and there is uncertainty of orders, thus exposing the company to demand side risk.
- 3. Declining Scale of Operations-** The scale of operations of the firm is small. The revenues of the firm has decreased from Rs. 75.16 Cr in FY 18 to Rs. 61.35 Cr in Fy 19. As per the Prov FY 20, The firm has achieved the revenue of Rs. 62.26 Cr.
- 4. Impact of COVID- 19-** The outbreak of pandemic Coronavirus COVID-19 in the late March 2020 in India has triggered a complete lockdown in the country and across the world. The construction projects have been halted for 1 month. This may impact the revenues in the short to medium term.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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 SENSITIVITIES

Going forward, the ability of the firm to improve its scale of operations, profitability margins, overall credit risk profile and efficiently manage its working capital obligations would be the key rating sensitivities.

Positive : The rating outlook may be revised to positive if the firm is able to significantly improve its revenue and profitability.

Negative : The rating may be downgraded if there is a deterioration in financial risk profile including conversion cycle and any other unforeseen factors.

LIQUIDITY POSITION (Stretched)



Cash and cash equivalents are Rs. 0.27 Cr for FY 29. The current ratio of the firm is moderate at 1.82 times and gearing ratio of the firm is also comfortable at 0.68 times as per Prov FY 20. Conversion cycle of the firm is on the higher side with 109 days as per Prov FY20 as compared to 118 days in FY 19. The debt protection metrics is moderate with an ISCR of 2.08 times and DSCR of 1.37 as per Prov FY20. As per the Banker's Feedback, cash credit limit is fully utilised.

The liquidity position of the company is considered as adequate.

COMPANY PROFILE

Mittal Construction Unit has been in existence since 1983 and is based in Muzaffarnagar, U.P. Shri. R.K. Mittal, Mr. Gaurav Mittal, Mr. Rohit Mittal and Smt. Pawan Mittal are the partners in the firm with profit sharing %age of 50%, 12.5%, 12.5% and 25% respectively. The firm is engaged in Civil Construction work and is acting as a Class A Contractor for undertaking construction and infrastructure work.

KEY FINANCIAL INDICATORS (Rs in crores)

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Operating Income	₹ Cr	61.35	75.16
EBITDA	₹ Cr	3.38	6.41
PAT	₹ Cr	0.99	2.69
Tangible Net Worth	₹ Cr	22.10	22.19
Total Debt/Tangible Net Worth	Times	0.74	0.84
Current Ratio	Times	1.85	1.73

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: None

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : CRISIL B+ (Stable)/A4
ISSUER NOT COOPERATING dated 31st Aug, 2019



RATING HISTORY FOR THE LAST 3 YEARS (INCLUDING WITHDRAWN/SUSPENDED)

Instrument /Facility	Current Rating (2020)			Rating History			
	Type	Amount (₹ Crs)	Rating	11/05/2020	2019	12/06/2018	2017
Fund Based Cash Credit	Long Term	11.00	BWR BB+ (Stable) Upgraded	BWR BB (Stable) Downgraded ISSUER NOT COOPERATING	-	BWR BB+ (Stable) -	-
Non Fund Based	Short Term	9.00	BWR A4+ Upgraded	BWR A4 Downgraded ISSUER NOT COOPERATING	-	BWR A4+	-
Total		20.00	INR Twenty Crores Only.				

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)

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**M/s Mittal Construction Unit
ANNEXURE I**

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
1.	Punjab National Bank	Cash Credit	11.00	-	11.00
		Bank Guarantee	-	9.00	9.00
TOTAL					20.00

INR Twenty Crores Only

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