Rating Rationale

Mittal International

11 Jan 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹23.2 Crores of Mittal International.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Term Loan	1.20	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus) (Outlook: Stable)
FDBP/FUDBP	5.00	Short Term	BWR A3 (Pronounced as BWR A Three)
Packing Credit	17.00		
Total	23.20	INR Twenty Three Crores and Twenty Lakhs Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of MI up to FY18, projected financials upto FY20 and information and clarifications provided by the firm.

The rating continues to factor in promoter's experience in the textile industry, established and long standing relationship, healthy order book position, diversified product portfolio, locational advantage, moderate gearing level and comfortable debt protection metrics. However, the rating is constrained by constitution of the firm, thin profit margins, fragmented and competitive industry limiting the bargaining power and foreign exchange fluctuation risk.

Going forward, the ability of the firm to improve the level of sales revenues, improve profitability and capital structure and manage its working capital efficiently shall be the key rating sensitivities.

Description of Key Rating Drivers

Promoters' experience and Established Operations:

The firm is a family owned partnership firm managed by Mr Roshan Mittal and Mr. Surinder Mittal, who has vast experience in the textile exports sector. Such a long presence in the industry has helped the firm to establish strong relationships with several USA, Australia and Europe based companies.

Established relationship with reputed clients:

The firm has established long term relationship with multinational textile companies. The company's clientele includes major companies like Spotlight Stores Pty. Ltd, Walmart Chile Comercial Ltd, Cotton On Group, Nitori Co., Ltd etc who have been associated with the firm for past several years providing the firm with continued repeat orders.

Comfortable gearing level and interest coverage ratio:

The firm has comfortable gearing level of 1.74 times in FY18 inspite of increase in debt levels. Considering portion of the non interest bearing unsecured loans from the promoters as quasi equity, the external debt gearing level would be at 1.27 times as on FY18. The interest coverage ratio is at 5.53 times for FY18 and is expected to remain comfortable over the medium term.

Moderate Revenue Growth:

The revenue of the firm is growing at a CAGR of nearly 5% from last three years. The firm has also undertaken capital expenditure to improve the efficiency of the production process with better quality output which is expected to improve the topline by 20% from FY20.

Highly competitive and fragmented industry structure:

The industry is highly fragmented, with large number of organized and unorganized players and the firm faces intense competition due to low entry barriers which limits the pricing flexibility.

Foreign exchange exposure:

The firm's sales revenues are primarily from exports whereas the procurement is from domestic suppliers exposing it to exchange rate risk.

Constitution as a partnership firm:

The firm is exposed to inherent risk of fluctuation in capital levels due to the withdrawal of partner's capital due to its constitution. Any large capital withdrawal by partners may weaken the capital base and impact the capital structure.

Analytical Approach

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 Outlook: *Stable*

BWR believes the **Mittal International** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Firm

Mittal Iinternational (MI) is a partnership firm established in 1989 by Mr. Sudhir Mittal located in Panipat. The firm is engaged in the manufacturing and exports of Blankets, rugs, bedspreads, curtains, cushion covers, and other household upholstery. The firm is promoted by Mr Roshan Mittal and Mr. Surinder Mittal.

Firm's Financial Performance

Net sales from operations was at ₹152.42 crores in FY18 against ₹151.28 crores in FY17. The net profit of the firm was at ₹5.82 crores in FY18 as against ₹5.19 crores in FY17.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1	**Fund Based**	Long Term	6.20	**BWR BBB-**	**-**	**-**	**-**
2	**Fund Based**	Short Term	17.00	**BWR A3**	**-**	**-**	**-**
	Total		**23.20**	**INR Twenty Three Crores and Twenty Lakhs Only**			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments

Any other information

Key Financial Indicators

Key Parameters	Units	2017	2018
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	151.28	152.42
EBITDA	₹ Cr	8.96	8.58
PAT	₹ Cr	5.19	5.82
Tangible Net worth	₹ Cr	15.79	21.94
Total Debt/Tangible Net worth	Times	1.45	1.74
Current Ratio	Times	1.38	1.31

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

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.

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