



RATING RATIONALE

18 March 2020

Mittal Enterprises

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities ₹. 15.00 Crores of Mittal Enterprises.

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (July, 2017)	Present
Fund based	15.00	15.00	Short Term	BWR A4	BWR A4 (Reaffirmed)
Total	15.00	15.00	INR Fifteen Crores Only		

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

**Details of Bank facilities are provided in Annexure-I

RATING ACTION

The rating draws strength from extensive experience of the promoters with improving scale of operations and moderate financial risk profile. However, the rating is constrained by inherent risks related to a partnership firm, working capital intensive operations and inherent foreign currency fluctuation risk.

KEY RATING DRIVERS

- **Credit Strengths:**

Improving Scale of operations: The partners have an experience of over half a decade of business experience. The firm has reported a revenue of Rs. 68.84crs in FY19 which is 56% growth from FY18 and 83.81% from FY17.

Moderate Financial Risk Profile: The firm's financial risk profile is supported by Tangible Net Worth of Rs. 4.76crs and gearing ratio of 0.21 times in FY19. The debt protection metrics are moderate with ISCR at 1.70 times and DSCR at 1.21 times in FY19.



- **Credit Risks:**

Inherent risks related to a Partnership firm: Inherent risks relating to financial flexibility in terms of raising of capital and withdrawal of capital as KI is constituted as a partnership firm are quite high.

Working capital intensive operations: The firm's current ratio deteriorated to 0.83 times in FY19 from 1.35 times in FY18.

Inherent foreign currency fluctuation risk: The business remains vulnerable to foreign currency fluctuations as most supplies come from exports.

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 entity to achieve projected revenue & profitability margins, improve scale of operations, liquidity profile and capital structure by infusion of additional capital would be key rating sensitivities.

Positive: The rating outlook may be revised to 'Positive' in case significant increases in the company's scale of operations, further diversifying its revenue sources and product portfolio while improving its profitability.

Negative: The rating may be downgraded if there is a decrease in scale of operations negatively impacting the revenues and profitability coupled with deterioration in overall financial risk profile.

LIQUIDITY POSITION- Stretched

ME has liquid investments of Rs. 2.65crs and the Cash & Bank balances of Rs. 2.29Crs as on March 31, 2019. The firm has Rs. 0.99 rs of long term loans which includes unsecured loans. The current ratio was below average at 0.83 times and a conversion cycle of negative 6 days in FY19. The firm's debt protection metrics are moderate with ISCR at 1.70 times and DSCR at 1.21 times as on March 31, 2019.

Holding Company or Subsidiary: NA

FIRM PROFILE

Mittal Enterprises ('The Firm' or 'ME') was incorporated on 18th July 2014 as a partnership firm in Bathinda. The firm is currently engaged in the trading of edible oil such as crude palm oil etc. Mr. Kushal Mittal and Mr. Manoj Mittal are the partners in the firm with a profit sharing percentage of 75% and 25% respectively. During incorporation the firm was established with the purpose to run operations in the real estate industry. In 2014, the firm purchased land and built a commercial building. The building has been leased out to a school and a fixed rental income is received by the firm.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Operating Revenue	INR Crs.	68.84	43.97
EBITDA	INR Crs.	0.72	0.28
PAT	INR Crs.	1.34	1.28
Tangible Net Worth	INR Crs.	4.76	4.71
Total Debt/Tangible Net Worth	Times	0.21	1.53
Current Ratio	Times	0.83	1.35

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY: CARE A4 INC migrated on 17th February 2020.

RATING HISTORY FOR PAST THREE YEARS

Facilities	Current Rating			Rating History		
	Tenure	Amount (₹ Cr)	Rating	2019	2018	20th July 2017
Fund Based	Long Term	15.00	BWR A4 (Reaffirmed)	NA	NA	BWR A4
Total		15.00	INR Fifteen 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](#) • [Manufacturing Companies](#) •

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Mittal Enterprises

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Short Term (₹ Cr)	Total (₹ Cr)
1.	Punjab National Bank	Letter of Credit	15.00	15.00
TOTAL				15.00

Total Rupees Fifteen Crores Only.

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