



SMERA RATINGS LIMITED

Mittal Engineering Works (MEW)

Rating
RationaleAugust 24, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	6.00	SMERA B+/Stable (Assigned)
Term Loan	2.00	SMERA B+/Stable(Assigned)
Letter of Credit	1.00	SMERA A4 (Assigned)

SMERA has assigned a long term rating of '**SMERA B+**' (read as **SMERA B plus**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.9.00 crore bank facilities of Mittal Engineering Works (MEW). The outlook is '**Stable**'. The rating is constrained by the modest scale of operations in an intensely competitive ERW (electrical resistance welded) tube industry and low profitability. The rating is also constrained by the firm's average financial risk profile marked by moderate gearing, low networth and coverage indicator, and working capital intensive operations. However, the rating draws comfort from the firm's experienced management.

Outlook: Stable

SMERA believes the firm's outlook will remain stable in the medium term on account of an experienced management. The outlook may be revised to 'Positive' in case the firm achieves sustained growth in revenues and profit margins with substantial improvement in the capital structure. The outlook may be revised to 'Negative' in case of decline in the firm's revenues and profit margins or deterioration in the firm's capital structure.

About the Firm

Mittal Engineering Works was established in 1989 as a partnership firm by Mr. Laxminarayan Agarwal, Mr. Devichand Agarwal and Mrs. Bharpadevi Agarwal. Later in 2000, Mr. Mukesh Mittal joined as a new partner.

The firm started off by manufacturing sheet metal components. From 2011 it began the manufacture of ERW tubes that contributed around 70 per cent to the total sales and the balance 30 per cent from sheet metal components. The firm has a manufacturing unit with two tube mills in Chakan, Pune. It has an installed capacity of 20,000 MT and 1,200 MT per annum for ERW and sheet metal components respectively.

The firm reported net profit of Rs.0.10 crore on operating income of Rs.27.25 crore for FY2013-14, as compared with net profit of Rs.0.13 crore on operating income of Rs.24.75 crore in FY2012-13. The firm registered revenues of Rs.31.94 crore (provisional) for FY2014-15.

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