

Press Release

Mittal Ceramics

May 05, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 21.76 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 21.76 crore bank facilities of Mittal Ceramics. The outlook is '**Stable**'.

The Uttar Pradesh-based, Mittal Ceramics (MC) is engaged in the manufacturing of glass bottles. The manufacturing capacity of the firm stands at ~90 tonnes per day. The firm procures raw material such as borax, feldspar, sodium nitrate, potassium etc from companies like Gail Gas Limited, Nirma Limited and K. Kumar & Co located at Ahmedabad, Firozabad, Kolkata.

Key Rating Drivers

Strengths

- **Experienced promoter and second line of management**

Mittal Ceramics was incorporated in 2013 as a proprietorship concern by Mr. Raj Kumar Mittal who possesses experience of over two decades in the said line of business. Mr. Mittal manages the day-to-day operations of the firm as also that of its sister concern, Geeta Glass Works, established in 2009.

- **Improved financial risk profile**

The firm has moderate financial risk profile marked by healthy gearing and moderate coverage indicators. The gearing levels of the firm stood at 0.93 times as on March 31, 2016 against 1.04 percent in FY2014-15. Moreover, the interest coverage ratio stood moderate at 3.19 times in FY2015-16 against 2.43 times in FY2014-15. The networth improved on account of retention of profit in the business and stood at Rs.19.48 cr (includes quasi equity of Rs.8.02 cr) as on 31st March 2016 as compared to Rs.18.58 cr (includes quasi equity of Rs.8.55 cr) in the previous year. Further, the net cash accrual to total debt improved to 0.39 times in FY2015-16 from 0.27 times in FY2014-15. This was on account of improvement in net cash accrual of Rs.7.37 cr in FY2015-16 against total debt of Rs.19.11 cr. The Debt Service Coverage Ratio (DSCR) improved to 2.04 times in FY2015-16 as against 1.67 times in FY2014-15 on the back of improvement in profitability margin.

Weaknesses

- **Stretched liquidity**

The firm has stretched liquidity position marked by average cash credit utilisation of ~88 percent from April 2016 to January 2017. Further, the GCA days stood at 181 days in FY2015-16 as against 178 days in FY2014-15. The increase in GCA days is evident from the increase in inventory days to 70 in FY2015-16 from 64 days a year earlier. The debtor days stood at 112 in FY2015-16 as against 117 days in FY2014-15.

- **Competitive and fragmented industry**

The glass industry is highly competitive with the presence of multiple players resulting in intense competition from the organised as well as unorganised players.

• Customer concentration risk

MC is exposed to client concentration risk as ~66 percent of the total operating income of Rs.73.80 in FY2015-16 comes from two major customers namely Pernod Ricard India Private Limited and Parmeshwar Impex Private Limited.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of the firm.

Outlook: Stable

SMERA believes that the outlook for Mittal Ceramics will continue to remain stable over the medium term on account of its experienced promoters. The outlook may be revised to 'Positive' if the firm improves its working capital cycle along with customer diversification. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues and profitability or deterioration in the capital structure.

About the Rated Entity - Key Financials

In FY2015-16 the firm achieved operating income of Rs.73.80 cr on Profit After Tax (PAT) of Rs.4.67 cr as compared to operating income of Rs. 68.25 cr on PAT of Rs.2.23 cr a year earlier. The total networth of the firm stood at Rs19.48 cr in FY2015-16 as compared to Rs.18.58 cr a year earlier. The networth of Rs.19.48 cr in FY2015-16 includes quasi equity of Rs. 8.02 cr.

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

CRISIL Ratings in its press release dated 28th January, 2016 had inter-alia mentioned the following: 'CRISIL has suspended its rating on the bank facilities of Mittal Ceramics (MIC). The suspension of rating is on account of non-cooperation by MIC with CRISIL's efforts to undertake a review of the ratings outstanding. Despite repeated requests by CRISIL, MIC is yet to provide adequate information to enable CRISIL to assess MIC's ability to service its debt. The suspension reflects CRISIL's inability to maintain a valid rating in the absence of adequate information.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
14-Dec-2015	Cash Credit	Long Term	INR 9.75	SMERA BB / Stable
	Term Loans	Long Term	INR 8.81	SMERA BB / Stable
	Letter of Credit	Short Term	INR 3.2	SMERA A4+

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.60	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	6.96	SMERA BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.20	SMERA A4+

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ABOUT SMERA

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