

Press Release

28 December, 2017



MITTAL TRACTORS PRIVATE LIMITED (MTPL)

Rating Assigned

Total Bank Facilities Rated *	Rs.12.00 cr
Long Term Rating	SMERA BB- / Outlook: Stable

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA double B minus**) on the Rs. 12.00 crore bank facilities of MITTAL TRACTORS PRIVATE LIMITED (MTPL). The outlook is '**Stable**'.

MTPL was established as a proprietary concern in 1999 and converted to private limited in 2004. The company, promoted by Mr. Suresh Mittal and Mr. Pawan Mittal deals in Sonalika Tractors manufactured by International Tractors Limited. MTPL caters to dealers and distributors of tractors at eastern Madhya Pradesh and Chhattisgarh.

Key Rating Drivers

Strengths

Established track record of operations, experienced management

MTPL was established in 1999. The company was promoted by Mr. Pawan Mittal and Mr. Suresh Mittal who possess around two decades of experience in the aforementioned business. This has helped build healthy relations with customers and suppliers.

Above average financial risk profile

MTPL has networth of Rs.18.92 crore as on 31 March, 2017 as against Rs.18.21 crore as on 31 March, 2016. The gearing (debt-to-equity) stood at 0.21 times as on 31 March, 2017 against 0.08 times as on 31 March, 2016. The total debt comprises interest bearing unsecured loan raised through related parties. The Interest Coverage Ratio (ICR) stood at 4.37 times for FY2017 against 2.58 times for FY2016. The NCA/TD stood at 0.19 times for FY2017 against 0.15 times for FY2016.

Weaknesses

Moderate scale of operations, thin profitability

MTPL has operating income of Rs.62.64 crore for FY2017 against Rs.42.69 crore for FY2016 and Rs.45.56 crore for FY2015. Further, the company registered operating income of Rs.43.94 crore from April to November 2017. Further, MTPL has thin profitability marked by operating margin of 1.10 percent for FY2017 as against 0.41 percent for FY2016.

Cyclical and competitive industry

The demand for tractors is highly cyclical and depends on favourable monsoon conditions, agricultural output as well as availability of credit. Further, the company is exposed to intense competition from several local, organised as well as unorganised players in the industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of MTPL to arrive at the rating.

Outlook: Stable

SMERA believes that MTPL will maintain a stable outlook over the medium term owing to its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	62.64	42.69	45.56
EBITDA	Rs. Cr.	0.69	0.18	0.11
PAT	Rs. Cr.	0.71	0.21	0.16
EBITDA Margin	(%)	1.10	0.41	0.23
PAT Margin	(%)	1.13	0.48	0.36
ROCE	(%)	5.57	1.99	4.37
Total Debt/Tangible Net Worth	Times	0.21	0.08	0.13
PBDIT/Interest	Times	4.37	2.58	2.22
Total Debt/PBDIT	Times	3.18	3.64	4.95
Gross Current Assets (Days)	Days	52	39	21

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA BB- / Stable

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ABOUT SMERA

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