

## Press Release

### Mittal Timber Store

May 16, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 15.00 Cr.
<b>Long Term Rating</b>	SMERA B+ / Outlook: Stable
<b>Short Term Rating</b>	SMERA A4

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.15.00 crore bank facilities of Mittal Timber Store. The outlook is '**Stable**'.

Established in 1975, Mittal Timber Store (MTS) based at Karnal, Haryana is a proprietary concern promoted by Shri Krishan Mittal. The firm is engaged in sawing and whole sale trading of imported timber with its warehouse at Gandhidham (Gujarat). The timber is imported from Malaysia, Indonesia, Nigeria, South Africa, Canada, New Zealand and other countries in log form and sold on high seas basis or as sawn timber to retailers and construction companies.

### Key Rating Drivers

#### **Strengths:**

- **Established track record of operations and experienced management**

MTS has an established track record spanning over three decades in timber industry. The concern is promoted by Mr. Krishna Mittal who possesses extensive experience in timber industry by virtue of his association with Mittal Ocean Trade Private Limited and is ably supported by Mr. Rajiv Mittal in day to day operations. The extensive industry experience of the proprietor has enabled the concern to establish a healthy relationship with various customers and suppliers.

#### **Weaknesses:**

- **Weak financial risk profile**

The financial risk profile of the firm is weak marked by low net worth of Rs.2.09 crore as on March 31, 2017 compared to Rs.1.98 crore in the previous year. However, the gearing improved from 2.81 times as on 31 March, 2016 to 0.83 times as on 31 March, 2017 due to lower working capital utilization. The total debt of Rs.4.60 crore as on March 31, 2017 consist of short term borrowing of Rs.1.74 crore and unsecured loan of Rs.2.86 crore. The total outside liabilities to tangible net worth (TOL/TNW) improved to 6.98 times as on 31 March, 2017 from 9.19 times in the previous year. The interest coverage ratio stood at 1.18 times in FY2017 as against 1.24 times in FY2016. The net cash accruals to total debt (NCA/TD) stood low at 0.04 times for FY2017 as against 0.02 times in the previous year.

- **Profit margins susceptible to volatility in timber prices**

The firm imports 100 percent of its timber log requirements from Malaysia, New Zealand and Singapore among other countries. Hence, the profitability is exposed to regulatory changes in these countries. Besides, the firm is exposed to highly fragmented and competitive timber industry due to low entry barriers restricting its pricing flexibility and affecting profitability. The same is reflected by the profit margin (PAT) which stood at 0.38 percent in FY2017 compared to 0.42 percent in FY2016.

### Analytical Approach:

SMERA has considered the standalone business and financial risk profile of the firm to arrive at the rating

### Outlook: Stable

SMERA believes that the firm will maintain a 'Stable' outlook and continue to benefit over the medium term owing to the extensive experience of the proprietor in the timber trading business. The outlook may be revised to 'Positive', if the firm achieves significant growth in revenue and improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile on account of higher than expected working capital requirement.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	45.54	39.49	35.55
EBITDA	Rs. Cr.	1.07	0.73	0.64
PAT	Rs. Cr.	0.17	0.17	0.25
EBITDA Margin (%)	(%)	2.35	1.86	1.80
PAT Margin (%)	(%)	0.38	0.42	0.71
ROCE (%)	(%)	14.32	11.98	30.77
Total Debt/Tangible Net Worth	Times	2.20	4.19	2.51
PBDIT/Interest	Times	1.18	1.24	1.43
Total Debt/PBDIT	Times	3.74	8.36	4.51
Gross Current Assets (Days)	Days	118	144	119

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

ICRA, vide its press release dated February 21, 2018 had denoted the rating of Mittal Timber Stores as 'ICRA B+/Stable/CARE A4'; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

### Any other information:

Not Applicable

### 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 (Upto last three years):

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	3.00	SMERA B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA A4

**Contacts:**

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 <a href="mailto:suman.chowdhury@smera.in">suman.chowdhury@smera.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>
Swati Banthia Analyst - Rating Operations Tel: 022-67141116 <a href="mailto:swati.banthia@smera.in">swati.banthia@smera.in</a>	

**ABOUT SMERA**

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.