

Press Release

Mittal Timber Store

May 16, 2018

Rating Assigned



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

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ABOUT SMERA

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