

Press Release

Mohit Ventures Private Limited

January 18, 2021

Rating Assigned



| | |
|-------------------------------------|----------------------------------|
| Total Bank Facilities Rated* | Rs. 19.00 Cr. |
| Long Term Rating | ACUITE BBB-/Stable (Assigned) |
| Short Term Rating | ACUITE A3 (Assigned) |

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs 19.00 crore bank facilities of Mohit Ventures Private Limited (MVPL). The outlook is '**Stable**'.

Mohit Ventures Private Limited was incorporated in 1999 by Mr Pawan Kumar Gupta, it is located in Jharkhand. In 2016, the company was taken over by its current management which includes Mr Binay Kumar Singh, Mr Jitendra Kumar Singh and Mr Anil Kumar Pandey. The company has a rolling mill with an installed capacity of 180,000 MTPA which is operational since August 2017. The company is engaged in manufacturing and selling of TMT bars in Jharkhand, Bihar and Uttar Pradesh. The company has signed agreements with Kamdhenu Limited and Kamdhenu Metallic Industries Limited for manufacturing and selling of TMT bars under Kamdhenu NXT and KAY2 brands in Jharkhand.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of MVPL to arrive at this rating.

Key Rating Drivers

Strengths

Experienced Management

MVPL is managed by Mr. Binay Kumar Singh who has more than two decades of experience in steel industry through other concerns such as Dadiji Steels Private Limited and Shivsiva Steel Private Limited. The company had entered into royalty based agreement with Kamdhenu group for manufacturing and selling of TMT bars under brand names Kamdhenu and Kay2. MVPL also sells TMT under its brand name Virat. The company has an extensive distribution channel which includes 12 distributors and 400 dealers with presence in Jharkhand, Bihar and Uttar Pradesh. Acuite believes that the company will benefit from the experienced management and association with Kamdhenu group.

Comfortable financial risk profile

The financial risk profile of the company is marked by moderate net worth, comfortable gearing and strong debt protection metrics. The net worth of the company stood at Rs.24.39 Cr in FY2020(Provisional) as compared to Rs.18.37 Cr in FY2019. The gearing of the company stood at 0.67 times as on March 31, 2020(Provisional) as compared to 1.06 times as on March 31, 2019 due to reduction in debt level because of scheduled repayment of term loan. The total debt of Rs.16.39 Cr in FY2020(Provisional) consists of long-term debt of Rs.8.67 Cr and short-term loan of Rs. 7.72 Cr. Interest coverage ratio (ICR) stood strong at 4.53 times in FY2020(Provisional) as against 5.34 times in FY 2019. The debt service coverage ratio (DSCR) also stood comfortable at 3.70 times in FY2020 (Provisional) as against 4.30 times in FY2019. This deterioration is on account of decline in absolute EBITDA. The net cash accruals against total debt (NCA/TD) stood at 0.45 times in FY2020 (Provisional) as compared to 0.49 times in previous year. Acuite believes the financial risk profile of the company will remain comfortable over the medium term backed by steady accruals and in the absence of any large debt funded capex plan.

Weaknesses

Low profitability margin

Profitability of the company had declined marginally as reflected from its EBITDA margin of 3.48 percent in FY20(Provisional) as against 3.84 percent in FY19 due to fall in average realization of TMT bar. Moreover, RoCE of the company had also declined to 27.37 percent in FY20 (Provisional) as against 37.33 percent in FY19. Acuite believes profitability of the company will continue to remain low in medium term due to high amount of royalty expense.

Cyclical nature of the industry

The company performance remains vulnerable to cyclical nature in the steel sector as demand for steel depends on performance of end user segments such as construction and real estate. Indian steel sector is highly competitive due to presence of large number of players. The operating margin of the company is exposed to fluctuations in the prices of raw materials as well as realization from finished goods.

Rating Sensitivity

- Substantial improvement in the profitability margin
- Deterioration in capital structure

Material Covenant

None

Liquidity Profile: Adequate

The company has an adequate liquidity as reflected from healthy net cash accrual of Rs. 7.45 Cr during FY20(Provisional) as against current maturity of 2.11 Cr. Going forward, the net cash accruals are expected to be in the range of Rs 10-Rs12 Cr as against current maturity of around Rs.2.00 Cr from FY21-FY23. Current ratio stood comfortable at 1.30 times during FY20(Provisional). However, average utilization of fund based limit stood high at 98 percent during last 12 months ended November 2020. The working capital requirement of the company stood at prudent level as reflected from GCA days of 45 days as on 31 March 2020. The company has maintained positive cash flow from operation in FY20. Acuite believes the liquidity position of the company will remain adequate backed by steady cash flow and accrual over the medium term.

Outlook: Stable

Acuite believes the outlook on company will remain 'Stable' over the medium term backed by its experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' if the company is able to ramp up its scale of operations significantly along with sustaining their financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in scale of operation or profitability margin.

About the Rated Entity - Key Financials

| | Unit | FY20 (Provisional) | FY19 (Actual) |
|-------------------------------|---------|--------------------|---------------|
| Operating Income | Rs. Cr. | 358.20 | 401.05 |
| PAT | Rs. Cr. | 6.02 | 8.14 |
| PAT Margin | (%) | 1.68 | 2.03 |
| Total Debt/Tangible Net Worth | Times | 0.67 | 1.06 |
| PBDIT/Interest | Times | 4.53 | 5.34 |

Any other information

MVPL is listed under the 'Non Co-operation by the issuer' category by CRISIL due to inadequate information provided by the company.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

NA

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-------------------|-------------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 7.75 | ACUITE BBB-/Stable (Assigned) |
| Term Loan | Not Available | Not Applicable | March 2024 | 7.88 | ACUITE BBB-/Stable (Assigned) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 2.25 | ACUITE A3 (Assigned) |
| Proposed Bank Facility | Not Applicable | Not Applicable | Not Applicable | 1.12 | ACUITE BBB-/Stable (Assigned) |

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About Acuité Ratings & Research:

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