Press Release

Mittal Coin Private Limited

February 04, 2021

Rating Assigned

Total Bank Facilities Rated*	Rs.58.68 Cr.
Long Term Rating	ACUITE A-/ Outlook: Stable (Assigned)
Short Term Rating	ACUITE A2+ (Assigned)

** Refer Annexure for details*

Rating Rationale

Acuité has assigned the long-term rating of **'ACUITE A-' (read as ACUITE A minus)** and short term rating of **'ACUITE A2+' (read as ACUITE A two plus)** on the Rs.58.68 Cr bank facilities of Mittal Coin Private Limited (MCPL). The outlook is **'Stable'**.

About the Company

Mittal Coin Private Limited was incorporated in the year 2013. The company is currently promoted by Mr. Ankit Mittal and Mr. Dinesh Bindal. The company was initially engaged as job work for Mittal Appliances Limited- Flagship Company of Mittal Group. Later in the year 2016, the company started its commercial operation of manufacturing copper and copper alloy products including Cupro-Nickel Coin, blanks, ingots, coils, etc. The manufacturing unit of the company is located at Pithampura Industrial Area, Indore, Madhya Pradesh.

About the Group

Mittal Group is an Indore-Madhya Pradesh based group incorporated in the year 1907. The group is into the business of manufacturing coin blanks, coins coinage material, medals, tokens and copper rolled and alloy products. The group stands to be the first company to export minted currency coins in association with the Indian Government Mints. The product line of the group includes Rs.5.00 Nickel brass Coin Blanks, Rs.10.00 and Rs.20.00 Bi-Metallic Composite Coin Blanks, Copper Billets, Copper Sheets, Copper Foils, Brass Foils, Medals, Token, badges, etc. The group has 13 companies. Out of which four are operationally active. The group companies are engaged in trading of steel scraps.

Analytical Approach

Acuité has considered the consolidated business and financial risk profiles of Mittal Appliances Limited and Mittal Coin Private Limited, together referred to as 'Mittal Group (MG)'. The consolidation is in view of the common promoters, significant operational and financial synergies within the group. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

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

Mittal group was incorporated in the year 1907. The group has an established track record of operation of more than 10 decades in the Indian Market. The group is promoted by Mittal family led by Mr. Dinesh Chand Mittal. The promoters have an experience of more than four decades in the Copper and Copper Alloy Product Industry. The extensive experience of the promoters and established track record of operation has helped the group to maintain healthy relationship with its customers and suppliers. The operating income of the group has increased significantly by around 54.95 percent to Rs.452.37Cr in FY2020 from Rs.291.95Cr in FY2019. The company is also engaged in exports of copper and copper alloy products.

Acuité believes that the group will benefit from its experienced management and long track of operation.

- **Reputed Clienteles and Healthy Order Book Position**

The products of the group are extensively used for the coinage purpose. The group supplies the coin blanks majorly to the Indian Government Mint for the manufacturing coins. Besides this, the group also supplies the medals, copper billets and strips to other private entities. The other reputed clientele of the group includes name like the Indian Ordnance Factory, Royal Canadian Mint, Banco Central De Reserva Del Peru, Thai Treasury, Tata Steel and Bank of Baroda to name a few. The group has also successfully executed orders and supplied coin blanks to the government mints of countries like Argentina, Canada, France, etc. The group has a customer concentration risk with Indian Government Mint as it constitutes around 78.25 percent of the net sales. However, this counterparty risk is mitigated as the Indian Government Mint is a part of Security Minting and Printing Corporation of India which is a Mini-Ratna Company. Currently, to mitigate the customer concentration risk, the group has diversified its product portfolio. The group is now manufacturing Bullet Cups, Bronze Wires and Cables, Copper Ingots and others.

The group has an order book of Rs.306.42 Cr, thereby ensuring revenue visibility in the near term. Besides this, the group also has order book of around Rs.45.00 Cr of their new product that they have added to their product portfolio.

- **Healthy financial risk profile**

MG's financial risk profile is healthy marked by strong net worth, low gearing coupled with comfortable debt protection metrics and coverage indicators. The group's net worth stood at Rs.116.57Cr as on March 31, 2020 as against Rs.104.89Cr as on March 31, 2019. The net worth levels have seen improvement over the last three years through FY2020. This is on account of healthy accretion to reserves over the period. The group has followed conservative financial policy in the past. The gearing continues to be low at around 0.98 times as on March 31, 2020 as against 0.41 times as on March 31, 2019. The total outside liabilities to tangible net worth (TOL/TNW) levels stood at 1.42 times as on March 31, 2020. The group on the other hand generated cash accruals of Rs.16.63Cr in FY2020 as against Rs.14.09Cr in FY2019.

The revenue of the group has increased by around 54.95 percent to Rs.452.37 Cr in FY2020 from Rs.291.95 Cr in FY2019. The increase in the operating income is due to the major order received of Rs.20.00 coin from the Indian Government Mint. The decline in the net sales in FY2019 was due to less order released by the Government. EBITDA has improved to Rs.26.44 Cr in FY2020 as against Rs.23.32 Cr in FY2019. The PAT of the group has improved to Rs.12.60 Cr in FY2020 as against Rs.10.32 Cr in FY2019. The increase in the profitability level, coupled with moderate debt level, has led to comfortable debt protection measures. The NCA/TD and interest coverage ratio for FY2020 stands at 0.15 times and 2.72 times, respectively. The debt service coverage ratio stood 1.65 times in FY2020 as against 1.61 times in FY2019. The Debt-EBITDA ratio stands at 3.52times in FY2020 against 1.55times in FY2019.

Acuité believes the financial risk profile of the group will continue to remain healthy on account of its healthy revenue growth, healthy cash accruals and no major debt funded capex in near to medium term.

Weaknesses

- **Working capital operation is intensive in nature**

MG's working capital operation is intensive in nature; however it has improved in FY2020 as it is reflected by its Gross Current Asset (GCA) days of around 171 days in FY2020 as against 266 days in FY2019. The inventory holding period has declined to 57 days as on March 31, 2020 as against 142 days as on March 31, 2019. The increase in the inventory holding period in FY2019 was due to increase in the procurement of the raw material as they were trading comparatively at a lower price. The debtor collection period stood at 79 days as on March 31, 2020 as against 87 days as on March 31, 2019. On the other hand the group's credit payment period stood at 39 days as on March 31, 2020 as against 200 days as on March 31, 2019. The average bank limit utilization stood low at around 26.42 percent for six months ended November, 2020, while its peak utilization was high at around 32.72 percent during the same period. The Non-fund based utilization stood at around Rs.116Cr out of Rs.170.00Cr as on November 30, 2020 which signifies the group has sufficient fund to bid for new tenders.

Acuité expects the working capital management to remain intensive over the medium term on account of high debtor collection and inventory period which is inherent in the aforementioned industry.

- **Decline in the profitability margin**

The profitability margin of the group has declined in FY2020 as against FY2019. The operating margin stood at 5.84 percent as against 7.99 percent in FY2019. The net profit margin stood at 2.78 percent in FY2020 as against 3.54 percent in FY2019. The decline in the operating margin is due to increase in the export proportion in FY2020 as compared to previous years. Also, the fluctuation in the profitability margin is due to volatility in the metal prices and foreign currency exchange. The main raw material required for the group includes Copper, Nickel, etc. whose price remains volatile due to supply and demand trend in the domestic and International market. However, this risk is mitigated to some extent as the group has a pricing formula on every order which is linked to the average price of the base metals on the London Metal Exchange. So any fluctuation in the price of the commodity is directly carried forward to its customer. Moreover, the group procures the raw material in line with the targeted delivery schedule and hedges its open exposure through commodity exchange which mitigates the raw material volatility.

Acuité expects maintaining a stable profitability margin for the group will remain a key sensitive factor.

Liquidity Position: Adequate

The group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.16.63 Cr in FY2020, while its' maturing debt obligation were Rs.5.34 Cr for the same period. The cash accrual of the group is estimated to remain around Rs.20.00 Cr to Rs.35.00 Cr during 2021-23 against repayment obligations of around Rs.4.00Cr to Rs.5.00Cr during the same period. The group's working capital operation is intensive in nature marked by the gross current asset (GCA) days of 171 days in FY2020 as against 266 days in FY2019. The average bank limit utilization stood moderate at around 26.42 per cent for six months ended November, 2020. The group maintains unencumbered cash and bank balances of Rs.10.01 Cr as on 31 March 2020. The current ratio of the group has improved to 1.58 times as on 31 March 2020 from 1.50 times as on March 31, 2019. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of adequate cash accruals to its maturing debt obligation.

Rating Sensitivities

- Improvement in the scale of operation while maintaining its profitability margin
- Any deterioration in the working capital cycle may impact the financial risk profile

Outlook: Stable

Acuité believes that the group will maintain a stable outlook over the medium term backed by its experienced management, established track record of operation in the aforementioned industry and healthy financial risk profile. The outlook may be revised to 'Positive', if the group registers higher than expected growth in its revenue while improving its operating margins from its current levels along with efficient working capital management. Conversely, the outlook may be revised to 'Negative', if the group registers lower than expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in the working cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	452.37	291.95
PAT	Rs. Cr.	12.60	10.32
PAT Margin	(%)	2.78	3.54
Total Debt/Tangible Net Worth	Times	0.98	0.41
PBDIT/Interest	Times	2.72	2.83

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

Any other information

None

Any Material Covenants

None

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
- Consolidation Of Companies - https://www.acuite.in/view-rating-criteria-60.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/view-rating-criteria-55.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. Cr.)	Ratings/Outlook
Term loans	September 14, 2020	7.90%	June 30, 2022	8.68	ACUITE A-/Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	50.00*	ACUITE A2+ (Assigned)

** Includes sublimit of Export Credit to the extent of Rs.30.00Cr; CC of Rs.20.00Cr; SBLC of Rs.20.00Cr and WCDL of Rs.20.00Cr*

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