

Press Release

Mittal Appliances Limited

March 04, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	320.50	-	ACUITE A2+ Reaffirmed
Bank Loan Ratings	60.00	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	380.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed 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.380.50 Cr bank facilities of Mittal Appliances Limited (MAL). The outlook is '**Stable**'.

About Company

Mittal Appliances Limited is the flagship company of Mittal Group. The company was incorporated in the year 1985 as a Private Limited Company. Later, in the year 1995, the company was reconstituted as a Public Limited Company. The company is currently promoted by Mr. Dinesh Chand Mittal and Mr. Anshul Mittal. The company is engaged in manufacturing of Copper Alloy Coin Blanks, Coils, Strips made up of Copper, Nickel and Zinc which are being supplied to Government Mints for coinage purposes. The company also manufactures the Copper Alloy Strips on job work basis for Government Ordnance Factory. The manufacturing unit of the company is located at Pithampur Industrial Area, Indore, Madhya Pradesh. The company has an installed capacity of 2400 MTPA for manufacturing of billets and 9570 MTPA for manufacturing Copper and Nickel Strips. The company also has a wind energy generator of 1.25MW at Dewas, Madhya Pradesh for generating power captive consumption.

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

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

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.

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 by around 40.75 percent to Rs. 636.74 Cr in FY2021 from Rs.452.37Cr in FY2020. . 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.

> Healthy financial risk profile

Mittal Group's financial risk profile is healthy marked by strong net worth, moderate gearing coupled with comfortable debt protection metrics and coverage indicators. The net worth stood at Rs.128.84 Cr. as on March 31, 2021 as against Rs.116.57Cr as on March 31, 2020.. The net worth levels have seen improvement over the last three years through FY2021. This is on account of healthy accretion to reserves over the period. The group has followed conservative leverage policy. However, the gearing levels rose significantly in FY2021 on account of higher short term borrowings. Gearing stood at 1.67 times as on March 31, 2021 as against 0.98 times as on March 31, 2020. The total outside liabilities to tangible net worth (TOL/TNW) levels stood at 2.04 times as on March 31, 2021. Further, the group generated cash accruals of Rs.16.92 Cr in FY2021 as against Rs.16.63 Cr in FY2021. The operating income of the group has increased by around 40.75 percent to Rs. 636.74 Cr in FY2021 from Rs.452.37Cr in FY2020. TThe increase in the operating income is due to major order received of Rs.20 coin from the Indian Government Mint and also higher export orders. Stable profitability level, coupled with moderate debt level, has led to comfortable debt protection measures. The interest coverage ratio and debt service coverage ratio for FY2021 stands at 3.60 times and 1.79 times, respectively. However, the Debt-EBITDA ratio stood high at 7.22 times in FY2021. 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.

> 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 minting of currency 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 60.38% (78.25% :PY) 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.378.32 Cr as on 31st January 2022, thereby ensuring revenue visibility in the near term.

Weaknesses

• Working capital operation is intensive in nature

Mittal Group's working capital operation is intensive in nature as reflected by its Gross Current Asset (GCA) days of around 179 days in FY2021 as against 171 days in FY2020. The inventory holding period has increased to 66 days as on March 31, 2021 as against 57 days as on March 31, 2020. The increase in the inventory holding period in FY2021 was due to increase in the procurement of the raw material as prices for raw material were increasing. The debtor collection period stood improved at 59 days as on March 31, 2021 as against 79 days as on March 31, 2020. On the other hand, the group's credit payment period stood at 9 days as on March 31, 2021 as against 39 days as on March 31, 2020. 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 January 31, 2022 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 FY2021 as against FY2020. The operating margin stood at 3.42 percent as against 5.84 percent in FY2020. The net profit margin stood at 2.01 percent in FY2021 as against 2.78 percent in FY2020. The decline in the operating margin is due to increase in the export proportion in FY2021 as compared to previous years (29.3%: CY; 12.2%:PY). 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.

Rating Sensitivities

> Improvement in the scale of operation while maintaining its profitability margin

>Further deterioration in the working capital cycle may impact the financial risk profile

Material Covenants

None

Liquidity Position: Adequate

The liquidity of the group is adequate. The current ratio has deteriorated to 1.30 times in FY2021 as against 1.58 times in FY2020. The group generated cash accruals of Rs.16.92Cr in FY2020 as against repayment obligation of Rs. 5.76 Cr for the same period. The group has sufficient cushion to meet its long term obligation. The groups cash and bank balance stood low at Rs. 1.38 Cr as on March 31, 2021 as against Rs. 10.01 Cr as on 31st March 2020. Further, the group has invested Rs. 10.23 Cr in perpetual bonds. The bank limit utilization stood low at around 26.42 percent. Further, the average fund based bank limit utilization stood at around 57% for last six months ending January 2022.

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

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	636.74	452.37
PAT	Rs. Cr.	12.83	12.60
PAT Margin	(%)	2.01	2.78
Total Debt/Tangible Net Worth	Times	1.67	0.98
PBDIT/Interest	Times	3.60	2.72

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

None

Any Other Information

None

Applicable Criteria

- Application Of 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Feb 2021	Letter of Credit	Short Term	45.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	20.50	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	17.50	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	2.50	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	11.50	ACUITE A- Stable (Assigned)
	Packing Credit	Long Term	40.00	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	33.75	ACUITE A2+ (Assigned)

Bank Guarantee	Short Term	50.00	ACUITE A2+ (Assigned)
Cash Credit	Long Term	5.00	ACUITE A- Stable (Assigned)
Cash Credit	Long Term	1.00	ACUITE A- Stable (Assigned)
Letter of Credit	Short Term	120.00	ACUITE A2+ (Assigned)
Bank Guarantee	Short Term	15.00	ACUITE A2+ (Assigned)
Bank Guarantee	Short Term	18.75	ACUITE A2+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
UCO Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A2+ Reaffirmed
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A2+ Reaffirmed
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	18.75	ACUITE A2+ Reaffirmed
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	17.50	ACUITE A2+ Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A- Stable Reaffirmed
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A- Stable Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.50	ACUITE A- Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A- Stable Reaffirmed
UCO Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.50	ACUITE A2+ Reaffirmed
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	33.75	ACUITE A2+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	120.00	ACUITE A2+ Reaffirmed
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A2+ Reaffirmed
ICICI Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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