

Press Release

Mittal Appliances Limited

January 02, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.50	ACUITE A- Negative Assigned	-
Bank Loan Ratings	103.00	ACUITE A- Negative Reaffirmed Stable to Negative	-
Bank Loan Ratings	89.50	-	ACUITE A2+ Assigned
Bank Loan Ratings	277.50	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	485.50	-	-
Total Withdrawn Quantum (Rs.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, and Assigned its 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 additional Rs.105.00Cr bank Facilities of Mittal Appliances Limited (MAL). The outlook is revised from '**stable**' to '**Negative**'.

Rationale for the rating

The outlook revision is a result of change in customer mix as well geographical mix leading to higher exports and lower supply to domestic customers (mainly Indian government) leading to stretch in working capital cycle, deterioration in its Debt-EBITDA ratio and lower return on capital employed. The exports were 46.34 percent in FY22, 27.51 percent in FY21 and 5.79 percent in FY20. The group has been mainly minting for non-domestic government offlate rather than Indian government until FY20. The GCA days elongated from 111 days as on March 31, 2020 to 146 days as on March 31, 2022. The debt-to-EBITDA deteriorated to 6.63 times in FY22 from 3.52 times in FY22 and lower ROCE of 9.12 percent in FY22.

The rating reaffirmation reflects the group's established presence and promoters experience, moderate financial risk profile and healthy order book. However, the rating is constrained by the intensive working capital management.

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 1.25 MW 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

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. Revenue of the group has increased significantly in FY22 to Rs.994.27Cr from Rs.864 Cr in FY21. This is due to healthy orders from Indian government mint who is the major customer of the group. The Government releases tenders as per the requirement of coins. As this industry has limited players, probability of tender allotment is very high. Apart from these orders, the group received major portion of revenue through exports to china. The EBITDA margin and PAT margin improved slightly to 3.4 percent and 1.97 percent in FY22 from 2.52 percent and 1.48 percent in FY21. The margins are at lower side, however the group enjoys the benefit of limited number of players in the industry.

Moderate financial risk profile

The financial risk profile is healthy marked by strong net worth, low gearing and moderate debt protection metrics. The net worth stood at Rs.160.64Cr as on March 31, 2022 as against Rs.128.84Cr as on March 31, 2021. The group has followed conservative leverage policy.

Gearing stood at 1.63 times as on March 31, 2022 as against 1.67 times as on March 31, 2021. The interest coverage ratio has improved to 4.12 times in FY22 from 3.60 times in FY21. However, NCA/TD has declined to 0.09 times in FY22 from 0.15 times in FY21. DSCR stood improved at 2.21 times in FY22. TOL/TNW stood at 1.72 times in FY22. Debt-EBITDA is high at 6.67 times as on March 31, 2022. Acuite believes that financial risk profile of the group will improve in the medium term.

Reputed Clienteles:

The products of the group are extensively used for the coinage purpose. The group supplies the coin blanks majorly to the Indian and other Government Mint (export) 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 moderately high customer concentration risk, As Ningo Rising Guangua import and export co. Ltd constitutes more than 50 percent of the revenue for FY22. Acuite believes that the group will benefit from the established client presence and presence of healthy order book of Rs.200Cr to be executed in FY23.

Weaknesses

Declining Profitability Margins:

The profitability margins of the group have reduced when compared to pre covid levels. In FY20 the group has reported operational margin of 3.72 percent which was declined to 2.82 percent in FY22. This is mainly due to increased raw material prices. Return on capital employed has declined from 14.82 percent in FY20 to 9.12 percent in FY22. Debt - EBITDA is high at 6.63 times for FY22 compared to the pre covid level of 3.52 times during FY20. Acuite believes that the margins will remain at similar levels in the medium term on account of increased debt in FY22.

Working capital operation is intensive in nature

The working capital operation is intensive in nature marked by GCA days of 148 in FY22 as against 132 days. The inventory holding period has rose to 50 days as on March 31, 2022 from 48 days as on March 31, 2021. The debtor collection period stood at 56 days as on March 31, 2022 as against 43 days as on March 31, 2021. The group largely depends upon the working capital facilities for the operations. However, the utilization of working capital facilities stood at an average of 68 percent in the past 12 months ending September 2022. Acuite 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.

Rating Sensitivities

- Further deterioration in the working capital cycle may impact the financial risk profile
- Improvement in Debt-EBITDA below 5.75 times, GCA days below or around 130 days

Material Covenants

None

Liquidity: Adequate

The liquidity of the group is adequate. The current ratio stood at 1.30 times in FY21 as against 1.41 times in FY22. The group generated cash accruals of Rs.22.92Cr in FY22 as against repayment obligation of Rs. 5.32 Cr for the same period. The group has sufficient cushion to

meet its long term obligation. The groups cash and bank balance stood at Rs. 0.97 Cr as on March 31, 2022 as against Rs. 1.38Cr as on March 31, 2022. Acuite believes that liquidity position of the group will remain adequate in the medium term on account of sufficient net cash accruals to repay its current maturing obligations.

Outlook: Negative

Acuite has revised the outlook of the group 'stable' to 'Negative' based on the deterioration in the leverage ratios and elongation in GCA days. The outlook may be revised to 'Stable', 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 rating might be 'downgraded' in case of any further deterioration in leverage indicators from the current levels or further elongation in the working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	950.08	864.22
PAT	Rs. Cr.	19.15	12.83
PAT Margin	(%)	2.02	1.48
Total Debt/Tangible Net Worth	Times	1.55	1.67
PBDIT/Interest	Times	4.17	3.60

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Mar 2022	Bank Guarantee	Short Term	15.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	50.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	120.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	45.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	18.75	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	20.50	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	11.50	ACUITE A- Stable (Reaffirmed)
	Packing Credit	Long Term	40.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	17.50	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	33.75	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	2.50	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	11.50	ACUITE A- Stable (Assigned)
04 Feb 2021	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)
	Bank Guarantee	Short Term	18.75	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	120.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A2+ (Assigned)
	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
UCO Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A2+ Reaffirmed
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A2+ Reaffirmed
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	18.75	ACUITE A2+ Reaffirmed
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	17.50	ACUITE A2+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A- Negative Reaffirmed Stable to Negative
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE A- Negative Reaffirmed Stable to Negative
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A- Negative Reaffirmed Stable to Negative
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A- Negative Reaffirmed Stable to Negative
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A- Negative Reaffirmed Stable to Negative
								ACUITE A-

UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	Negative Assigned
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.50	ACUITE A- Negative Assigned
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A- Negative Assigned
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	33.75	ACUITE A2+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	90.00	ACUITE A2+ Reaffirmed
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.50	ACUITE A2+ Reaffirmed
UCO Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.50	ACUITE A2+ Reaffirmed
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	29.50	ACUITE A2+ Reaffirmed
UCO Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	19.50	ACUITE A2+ Assigned
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE A2+ Assigned
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.50	ACUITE A2+ Assigned
Kotak Mahindra Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A2+ Assigned
ICICI Bank Ltd	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A- Negative Reaffirmed Stable to Negative
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE A- Negative Reaffirmed Stable to Negative

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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