



Press Release

Mili Steels Private Limited (MSPL)

September 11, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Fund Based Bank Facility – Cash Credit	18.15	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)	Assigned
2.	Long Term Fund Based Bank Facility – working Capital Term Loan	2.94	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)	Assigned
3.	Long Term Fund Based Bank Facility – working Capital Demand Loan	1.60	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)	Assigned
4.	Short Term Non Fund Based Bank Facilities	5.85	IVR A4 (IVR Single A Four)	Assigned
	Total	28.54		

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Mili Steels Private Limited (MSPL) derives comfort from its experienced promoter alongside experienced management team, locational advantage, moderate financial risk profile and stable EBIDTA Margins. However, the rating strengths are constrained by steady decline in revenues and vulnerability to high competition.

Key Rating Sensitivities

Upward Factors

- Substantial & sustained improvement in revenue and/or profitability leading to improvement in debt protection metrics.

Downward Factors

- Any decline in revenue and/or profitability leading to deterioration in debt protection metrics.



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Key Rating Drivers with detailed description

Key Rating Strengths

Experienced management team:

The company is being managed by experienced promoter and directors. Collectively, they have over four decades of experience in the industry and were instrumental in developing the company. Having operated in stainless steel utensils industry since years now, the management has established a strong network of suppliers and customers. The company has a strong network of 2000 dealers and 200 distributors in their distribution network.

Locational advantage:

The company manufactures and sells stainless steel utensils and sources majority of its raw materials from Hisar, Gujrat and Rajasthan providing the company an edge to procure key raw materials at economical costs. This enables the company to procure raw materials at economical costs and allows the company to build a long-term relationship with its suppliers.

Moderate Financial risk profile:

The financial risk profile of the company remained moderate over the years marked by its moderate gearing and debt protection metrics. The overall gearing ratio of the Company remains at 1.22x as on March 31, 2020 Provisional (FY19: 1.26x, FY18: 1.06x). Furthermore, The TOL to TNW stood at 2.69x as on March 31, 2020(FY19: 2.89x, FY18: 3.35x) and the TOL to ATNW stood at 2.29x as on March 31, 2020(FY19: 2.43x, FY18: 2.82x). The Interest coverage ratio stood at 1.37x as on March 31, 2020.

Stable EBIDTA margins:

The EBIDTA margins of the company have gradually improved and remained stable at around ~5.00% over a period of last 3 years ended in FY2020 on the back of reduction in costs incurred in the production process.

Key Rating Weaknesses

Steady decline in revenue:



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The Company's topline has witnessed a steady dip , in 3 years ended in FY2020. It decreased to INR 68.81 Crore in FY20 from INR 74.76 Crore in FY19 and INR 86.35 Crore in FY18 on account of implementation of GST and competition faced by unorganized market.

High competition:

The company is exposed to high competition from unorganised players due to low entry barriers. However, established position of the company mitigate the risk to some extent.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Stretched

Liquidity remained stretched due to working capital intensive nature of operation with average cash conversion cycle of more than 150 days in the last three years ended FY20. The peak utilisation of the fund based working capital limits also remains high at more than 95% in the last twelve months ended June 2020.

About the Company

Incorporated in 1995, located in Maharashtra, Mili Steels Private Limited (MSPL) has been in the business of manufacturing and trading of stainless steel kitchen utensils and is found by Mr. Tarachand Gosar. The company manufactures stainless steel utensils under the brand name Mili. The company has an installed manufacturing capacity of 6000 MT p.a.

Financials: Standalone

For the year ended/ As On	(Rs. crore)	
	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	74.79	68.81
EBITDA	3.86	3.68
PAT	0.52	0.52
Total Debt	22.03	21.81
Tangible Net-worth	14.71	15.23
Ratios		
EBITDA Margin (%)	5.16	5.35
PAT Margin (%)	0.69	0.76



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Overall Gearing Ratio (x)	1.26	1.22
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* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: NA

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	18.15	IVR BB/Stable Outlook	--	--	--
2.	Working Capital Term Loan	Long Term	2.94	IVR BB/Stable Outlook	--	--	--
3.	Working Capital Demand Loan	Long Term	1.60	IVR BB/Stable Outlook			
3.	Letter of Credit	Short Term	5.85	IVR A4	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based - Cash Credit	-	-	Revolving	18.15	IVR BB/Stable Outlook
Long Term Fund Based - working Capital Term Loan	-	-	Upto July 2024	2.94	IVR BB/Stable Outlook
Long Term Fund Based - working Capital Demand Loan	-	-	-	1.60	IVR BB/Stable Outlook
Short Term Non Fund Based – Letter of Credit	-	-	Upto 180 days	5.85	IVR A4