



Press Release

Mohit Ispat Private Limited

December 10, 2020

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	27.45	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
Short Term Bank Facilities	12.00	IVR A4+ (IVR A Four Plus)	Assigned
Total	39.45 (Rupees Thirty Nine Core & Forty Five Lakhs Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The Rating assigned to the bank facility of Mohit Ispat Private Limited (MIPL) derives comfort from extensive experience of promoters in steel industry & established track record of operations, Comfortable capital structure and Efficient working capital management. The rating is constrained due to Uneven & modest operating margin, Exposure to cyclicality in steel industry and Highly competitive & fragmented nature of industry.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in scale of operation with improvement in profitability.
- Improvement in capital structure.

Downward Factors

- Deterioration in liquidity profile of the company.
- Substantial decline in profitability impacting debt protection matrix and liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management & established track record of operations



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The promoter of the company Mr. Harsh Vardhan Mittal has founded the company in 1997 and he has an experience of over four decades in the steel industry. The extensive experience of promoter and directors has helped the company to maintain strong relations with its customers as well as with its suppliers. Further, having more than a decade of operational track record has helped the company to establish strong market position.

Comfortable capital structure

Capital structure of the company remains comfortable marked by gearing ratio of 0.79x as on March 31, 2020 as against 0.94x as on March, 2019. The adjusted tangible networth has improved to Rs.44.98 crore as on March 31, 2020 from Rs.41.01 crore as on March 31, 2019. However tangible networth includes interest free unsecured loans from directors and related party which are considered as quasi equity as the management has undertaken to maintain the amount in the business over the medium term. The interest coverage ratio also remains comfortable at 2.03x as on March 31, 2020.

Efficient working capital management

The working capital management of MIPL is efficient marked by operating cycle of 14 days in FY20 and 11 days in FY19. The average collection period stood comfortable at 20 days in FY20 as against 19 days in FY19. The company maintains an inventory of 28 to 30 days, as raw materials is purchased from the local suppliers which are located in proximity to the rolling mill.

Key Rating Weaknesses

Uneven and modest operating margin

The operating margins of the group have shown uneven trend for the period under study FY2018-20. EBITDA margins stood at 3.31 per cent in FY2020 as compared to 2.62 per cent in FY2019 and 3.24 per cent in FY2018. The uneven trend is due to the company being susceptible to fluctuations in raw material (i.e. steel) prices. However, going forward MIPL's margins are expected to remain stable as company is reducing its trading sales and focusing on Manufacturing.



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Exposure to cyclical nature in steel industry

The steel industry is known for being cyclical and reflective of overall market conditions, demand increases during economic booms and plummets during global recessions and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downtrend in the prices. The company's operations are vulnerable to any adverse change in demand-supply dynamics.

Highly competitive & fragmented nature of industry

MIPL operates in highly competitive steel industry, where in number of organised and unorganised players are there. This competitive market may hamper the realisation and profitability of the company.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

The liquidity of the company is expected to remain Adequate in the near to medium term in view of sufficient cash accruals vis-à-vis debt repayment obligations. The company is expected to generate cash accruals to the tune of ~Rs.8 - 10 crore during FY21-FY22 as against a repayment obligation of ~Rs.4 - 5 crore during the aforesaid period indicating an adequate liquidity position. The fund based average working capital utilisation was at ~ 80% during the last twelve months ended September 31, 2020.

About the Company

Mohit Ispat Private Limited (MIPL) is a Goa based company, Incorporated in 1997 and being promoted by Mr. Harsh Vardhan Mittal. The company is engaged in the business of manufacturing TMT steel bars & billets which are used in construction of Dams, Flyover, Buildings etc. MIPL sells its TMT bars under "Kamdhenu" brand in the state of Goa,



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Karnataka & Maharashtra. The company has manufacturing unit in Goa with installed capacity of 1,20,000 MTPA.

Financials (Standalone):

(Rs. Crore)

For the year ended* As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	429.83	374.99
EBITDA	11.28	12.42
PAT	1.62	4.10
Total Debt	38.35	35.64
Tangible Net Worth	41.01	44.98
EBITDA Margin (%)	2.62	3.31
PAT Margin (%)	0.38	1.09
Overall Gearing Ratio (x)	0.94	0.79

Status of non-cooperation with previous CRA: CARE Ratings has classified the company under Issuer Not Cooperating in their press release dated March 24, 2020.

ICRA has classified the company under Issuer Not Cooperating in their press release dated December 31, 2019.

Any other information: N/A

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (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.	Term Loan	Long Term	4.45	IVR BB+/ Stable	-	-	-
2.	Term Loan – COVID Lines	Long Term	2.00	IVR BB+/ Stable	-	-	-



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Sr. No.	Name of Instrument/Facilities	Current Ratings (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
3.	Cash Credit	Long Term	21.00	IVR BB+/Stable	-	-	-
4.	Bank Guarantee	Short Term	12.00	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:

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financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Term Loan	-	-	March, 2022	4.45	IVR BB+/Stable
Long Term Bank Facility – Term Loan	-	-	May, 2022	2.00	IVR BB+/Stable
Long Term Bank Facility – Cash Credit	-	-	-	21.00	IVR BB+/Stable
Short Term Bank Facility – Bank Guarantee	-	-	-	12.00	IVR A4+