



Press Release

Mittal International
June 04, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Short Term Bank Facilities	25.00	IVR A3+ (IVR A Three Plus)	Assigned
	Total	25.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Mittal International derives comfort from its experienced & resourceful promoters, established and integrated manufacturing facilities, reputed clientele and longstanding relationships with customers and gradual improvement in capital structure and debt protection metrics. The rating also considers intense competition prevalent in the textile industry and availability of other substitutes and risks associated with partnership constitution. The ratings also consider its vulnerability of profitability to fluctuations in raw material prices

Key Rating Sensitivities:

Upward Factor:

- Substantial and sustained growth in operating income and improvement in working capital management leading to improvement in liquidity
- Sustenance of the capital structure and improvement in debt protection metrics

Downward factor:

- Moderation in operating income and/or cash accrual or deterioration in operating margin, any stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure affecting the financial risk profile, particularly liquidity.
- Deterioration in overall and interest coverage



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced & resourceful promoters**

The promoters, Mr Roshan Mittal and Mr. Surinder Mittal are associated with the business since inception and have vast experience of more than 30 years in the textile industry. Extensive experience of the promoter underpins the business risk profile of the firm and supports it to develop established relationship with its customers. Further, the promoters are well supported by an experienced team of professionals. Such a long presence in the industry has helped the firm to establish strong relationships with several USA, Australia and Europe based companies.

- **Established and integrated manufacturing facilities**

The Firm's facilities are fully integrated with the in house production process of knitting, dyeing, embroidery, printing and garmenting. The firm's manufacturing facilities are based in Panipat, Haryana which has ensured availability of raw material and manpower. The manufacturing facilities of MI are certified with air and water pollution certificates and have installed a zero liquid discharge plant that doesn't waste water and instead recycle it to reduce pollution. Further, the facilities of the firm are running with healthy capacity utilisation over the years.

- **Reputed Clientele and longstanding relationships with customers**

The firm has established long term relationships with multinational apparel companies. The firm primarily exports its products to private label brands in the European and American markets. The firm's clientele includes major companies like Zara, Walmart, Spotlight Stores. The longstanding relationships with some globally renowned clients with some associations exceeding 15 years, translate into repeat business for the firm, providing near to medium term revenue visibility and stability.

- **Gradual improvement in capital structure and debt protection metrics**

The capital structure of the firm witnessed gradual improvement as on the account closing dates of the past three fiscals ended on FY19 backed by steady accretion of profit to net worth during the aforesaid period and infusion of subordinated unsecured loans. The overall



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gearing remained comfortable at 0.62x as on March 31, 2019 improved from 1.23x as on March 31, 2018. Further, total indebtedness of the firm as reflected by TOL/ANW remained stable and comfortable at 1.30x as on March 31, 2019 improved from 2.53x as on March 31, 2018. The debt protection metrics of the firm also remained comfortable as witnessed by the interest coverage and long term debt to GCA which stood at 5.49x and 1.87x as on March 31, 2019.

Key Weaknesses

Intense competition prevalent in the textile industry and availability of other substitutes

The firm is exposed to intense competition prevalent in the highly fragmented Indian textile industry and faces stiff competition from both organised and unorganised players. For the competitive landscape, the firm faces stiff competition.

Vulnerability of profitability to fluctuations in raw material prices

The firm's one of the main raw materials is cotton Yarn, which being a seasonal product exhibit fluctuations in prices based on various external factors. Any adverse fluctuation in the raw material prices affects the sales realisations of the finished products. MI's operating profitability also gets impacted in case it is not able to adequately pass on the price increase to its customers.

Risks associated with partnership constitution

Given MI's constitution as a partnership firm, it remains exposed to discrete risks, including the possibility of withdrawal of capital by the partners and the risk of dissolution of the firm upon the death, retirement or insolvency of partners.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)



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Liquidity: Adequate

The firm has generated sufficient cash accrual of around Rs.7.55 Cr in FY19 (Rs. 7.99 Cr in Provisional FY20) as against repayment of Rs.2.07 Cr (Rs. 3.48 Cr in Provisional FY20). The firm has sufficient gearing headroom to raise additional debt for its capex and is expected to generate steady cash accrual over the near medium term (Rs.7.91 crore in FY21 and 8.03 crore in FY22 respectively) against scheduled repayment obligation (Rs.1.45 crore in FY21 and 1.61 crore in FY22 respectively). The firm's average utilisation of its bank lines was moderate, at around 78 per cent over the 12 months ended March 2020.

About the firm

Mittal International (MI) was established in 1989 by Mr. Roshan Lal Mittal, Mr. Surinder Kumar and Mr Manmohan Sharma. MI is engaged in manufacturing and exporting of textile and handloom products such as curtains, rugs, quilts, throw rugs, cushions, bath towels, window furnishings, roll fabrics etc. The firm exports 100% of its manufactured products mainly to Australia, United Kingdom, Japan, Spain, Dubai etc.

MI has its manufacturing facility in Panipat (Haryana) with an installed weaving capacity of 55 Lakh MTR p.a. In FY19, the firm had set up a plant in Sewah, Panipat (Haryana). The firm has achieved sales of INR 195.00 crore as on 31st March, 2020.

Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	163.00	195.00
EBITDA	11.43	13.06
PAT	3.32	4.27
Total Debt	23.45	38.59
Tangible Net worth*	37.58	41.56
EBITDA Margin (%)	7.01	6.70
PAT Margin (%)	2.04	2.19
Overall Gearing Ratio (x)^	0.62	0.93

* Loan from directors, related parties and group companies has been treated as Quasi-equity

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. 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.	Packing Credit	Short Term	20.00	IVR A3+	-	-	-
2.	Foreign Documentary Bill Purchased	Short Term	5.00	IVR A3+	-	-	-

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Short Term Bank Facilities- Packing Credit	-	-	-	20.00	IVR A3+
Short Term Bank Facilities – Foreign Documentary Bill Purchased	-	-	-	5.00	IVR A3+