



Press Release

Mohit Ispat Private Limited (MIPL)

July 30, 2021

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action
Long term Bank Facilities – Term Loan	7.64 (Enhanced from Rs. 6.45 crore)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BB+/Stable (IVR Double B with Stable Outlook)	Revised
Long term Bank Facilities – Cash Credit	15.00 (Reduced from Rs.21.00 crore)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BB+/Stable (IVR Double B with Stable Outlook)	Revised
Short term Bank Facilities	43.00 (Enhanced from Rs. 37.00 Crore)	IVR A3 (IVR A Three)	IVR A4+ (IVR A Four Plus)	Revised
Short term Bank Facilities (Proposed)	8.81	IVR A3 (IVR A Three)	-	Assigned
Total	74.45 (Seventy-Four Crore and Forty-Five Lakhs)			

Details of facilities are in Annexure 1

Detailed Rationale

The rating upgrade considers the ongoing strong demand in the steel sector and Mohit Ispat Private Limited's (MIPL) healthy performance during FY21 (Provisional) & Q1FY22. The revenue increased by 10% in FY2021 (Provisional) to Rs.412.66 crore despite adverse impact of the pandemic in Q1FY21. The operating profit margins also improved to 5.69% in FY2021 (Provisional) from 3.69% in FY2020. The rating upgrade also factors in improvement financial risk profile of the company.



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Further rating continuous to derives comfort from the Extensive Experience of the Promoters in the Steel Industry and Efficient Working Capital management. The rating is however constrained by Exposure to cyclical nature in steel industry and highly competitive & fragmented nature of industry.

Key Rating Sensitivities:

Upward Factor:

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

Downward Factor:

- Any decline in revenue and/or profitability leading to deterioration in debt protection metrics.
- Deterioration in liquidity profile of the company.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced management & established track record of operations:

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 0.82x as on March 31, 2021 as against 0.79x as on March, 2020. The adjusted tangible networth has improved to Rs.60.28 crore as on March 31, 2021 from Rs.44.98 crore as on March 31, 2020. 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 5.42x as on March 31, 2021.



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Efficient working capital management

The working capital management of MIPL is efficient marked by operating cycle of 25 days in FY21 and 14 days in FY19. The average collection period stood comfortable at 22 days in FY21 as against 20 days in FY20. The company maintains an inventory of 25 to 30 days, as raw materials is purchased from the local suppliers which are located in proximity to the rolling mill.

Key Rating Weaknesses

Exposure to cyclicality 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

Liquidity position of the company appears to be adequate with comfortable gross cash accrual as against its repayment obligation. The company maintains adequate cash and bank balance to meet its liquidity requirement. The average working capital utilisation remained moderate at ~64% during the last 12 months ended June 2021.



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

Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	376.45	412.66
EBITDA	13.88	23.47
PAT	4.10	10.18
Total Debt	35.64	49.52
Tangible Net Worth	44.98	60.28
EBITDA Margin (%)	3.69	5.69
PAT Margin (%)	1.09	2.46
Overall Gearing Ratio (x)	0.79	0.82

* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA:

Vide Press release dated June 28, 2021, June 18, 2021 & March 24, 2021 CRISIL, CARE & ICRA respectively has moved the ratings to non-cooperation category.

Any other information: N.A.

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (Dated: December 18, 2020)	Date(s) & Rating(s) assigned in 2020-21 (Dated: December 10, 2020)	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based Facility – Term Loan	Long Term	7.64	IVR BBB-/ Stable	IVR BB+/ Stable	IVR BB+/ Stable	-
2.	Fund Based Facility – Cash Credit	Long Term	15.00	IVR BBB-/ Stable	IVR BB+/ Stable	IVR BB+/ Stable	-
3.	Non-Fund Based Facility – BG	Short Term	12.00	IVR A3	IVR A4+	IVR A4+	-
4.	Non-Fund Based Facility – LC	Short Term	31.00	IVR A3	IVR A4+	-	-
5.	Non-Fund Based Facility – Proposed LC	Short Term	8.81	IVR A3	-	-	-

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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
Long Term Fund Based Facility – Term Loan	-	-	June, 2023	5.75	IVR BBB-/ Stable
Long Term Fund Based Facility – Term Loan	-	-	June, 2025	1.89	IVR BBB-/ Stable
Long Term Fund Based Facility – Cash Credit	-	-	-	15.00	IVR BBB-/ Stable
Short Term Non-Fund Based Facility – BG	-	-	-	12.00	IVR A3
Short Term Non-Fund Based Facility – LC	-	-	-	31.00	IVR A3
Short Term Non-Fund Based Facility – Proposed LC	-	-	-	8.81	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/lenders-mohit-lspat-30july21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loans	Simple



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2.	Working capital (CC)	Simple
3.	Letter of Credit	Simple
4.	Bank Guarantee	Simple

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.