

Mukta Industries Private Limited

June 06, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based-Cash Credit	25.00	25.00	[ICRA]BB- (SO)(Stable); Reaffirmed
Fund-based-Bill Discounting Limits	5.00	5.00	[ICRA]A4 (SO); Reaffirmed
Non-fund Based-Letter of Credit	5.00	5.00	[ICRA]A4 (SO); Reaffirmed
Total	35.00	35.00	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]BB- (SO) (pronounced ICRA double B minus structured obligation) for the Rs. 25.00-crore cash credit facility of Mukta Industries Private Limited (MIPL or the company)¹. ICRA has also reaffirmed the short-term rating of [ICRA]A4 (SO) (pronounced ICRA A four structured obligation) for the Rs. 5.00-crore fund-based bill discounting limits and the Rs. 5.00-crore non-fund based letter of credit facility of MIPL. The outlook on the long-term rating is Stable. The letters SO in parenthesis suffixed to a rating symbol stands for Structured Obligation. An SO rating is specific to the rated issue, its terms, and its structure. SO ratings do not represent ICRA's opinion on the general credit quality of the borrower concerned.

Rationale

The rating is based on an unconditional and irrevocable guarantee provided by Prakash Steel Corporation (PSC or the firm) ('the guarantor'; rated [ICRA]BB- (Stable)/A4) for the Rs. 35.00-crore bank facilities of Mukta Industries Private Limited and an undertaking from the guarantor to ensure that the debt obligations are serviced on or prior to the due date, irrespective of the invocation of the guarantee by the beneficiary.

Outlook: Stable

The outlook may change in case of any change in the outlook of its guarantor's ratings.

Key rating drivers

Credit strengths

Unconditional and irrevocable corporate guarantee – PSC has extended an unconditional and irrevocable guarantee to MIPL's above rated bank facilities.

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Credit challenges

Sensitive to guarantor's rating – The ratings primarily reflect the credit strength of the guarantor (PSC). Hence, any adverse movement in the rating of the guarantor may result in rating action on MIPL's bank limits.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Approach for rating debt instruments backed by third-party explicit support](#)

About the company:

Incorporated in 1994, Mukta Industries Private Limited (MIPL) is promoted by Mr. Pradip Shah and his relatives. The company trades alloy steel bars and rods, billets, channels, wire rods, plates of different alloy grades.

The Mukta Group of Industries consists of other entities namely Prakash Steel Corporation (PSC), Vastupal Bearing Races Limited (VBRL) and Mukta Automation Private Limited (MAPL). While PSC manufactures bright bars using different grade of stainless steel, alloy steel and carbon steel, VBRL manufactures forged and machined bearing used in ball bearing, roller bearings, taper bearings and auto ancillary industry. MAPL manufactures machined items as per customer's specifications.

In FY2017, the firm reported a net profit of Rs. 0.56 crore on an operating income of Rs. 168.38 crore, as compared to a net profit of Rs. 0.58 crore on an operating income of Rs. 180.46 crore in the previous fiscal.

Key financial indicators (audited)

	FY 2016	FY 2017
Operating Income (Rs. crore)	180.46	168.38
PAT (Rs. crore)	0.58	0.56
OPBDIT/ OI (%)	2.62%	3.02%
RoCE (%)	14.59%	13.30%
Total Debt/ TNW (times)	2.65	2.58
Total Debt/ OPBDIT (times)	6.03	6.12
Interest Coverage (times)	0.96	1.10

About the Guarantor:

Prakash Steel Corporation (PSC) is a part of the Mukta Group of Industries and was established as a proprietorship concern by Mr. Babulal Shah in 1975 in Ahmedabad. The firm is owned and managed by Mr. Pankaj Shah. The firm manufactures bright bars for different grades of stainless steel, alloy steel and carbon steel of different diameter, ranging between 7 mm and 70 mm, going upto 150 mm in certain cases. The firm also trades other steel products such as plates of different alloy grades, flate steel and commercial grade round steel bars. The product range finds application in automobile, engineering, capital goods and other allied industries.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2019)		Chronology of Rating History for the past 3 years			
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
1	Cash Credit	25.00	-	June 2018 [ICRA]BB-(SO) (Stable)	-	February 2017 [ICRA]BB-(SO) (Stable)	-
2	Bill Discounting Limits	5.00	-	[ICRA]A4 (SO)	-	[ICRA]A4 (SO)	-
3	Letter of Credit	5.00	-	[ICRA]A4 (SO)	-	[ICRA]A4 (SO)	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	25.00	[ICRA]BB-(SO)(Stable)
NA	Bill Discounting Limits	NA	NA	NA	5.00	[ICRA]A4 (SO)
NA	Letter of Credit	NA	NA	NA	5.00	[ICRA]A4 (SO)

Source: Mukta Industries Private Limited

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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