

Mahesh Mercandise Private Limited

April 12, 2019

Summary of Rated Instrument:

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based limits	10.00	10.00	[ICRA]D; revised from [ICRA]BB- (Stable)
Non-Fund based limits	19.50	19.50	[ICRA]D; revised from [ICRA]A4
Total	29.50	29.50	

**Instrument details are provided in Annexure-1*

Rationale

ICRA has revised the rating to [ICRA]D for bank facilities of Mahesh Mercandise Private Limited (MMPL) on account of instances of default in debt servicing by the company due to stretched liquidity position of the company.

Key rating drivers

Credit strengths

Experienced management provides competitive edge - The promoters and their families have been involved in the timber processing and trading industry, for more than four decades and have gained a thorough knowledge of the market. The company's long presence in the industry has helped it establish strong relationships with suppliers and customers.

Credit challenges

Stretched liquidity position leads to delays in debt servicing – There have been recent instances of delays in debt servicing by the company owing to the company's stretched liquidity position.

Stiff competition and fragmented industry puts pressure on profitability - Timber processing is a low value-added business and faces high competition from numerous players operating in the industry. The fragmented and competitive nature of the industry limits the pricing flexibility of its participants and keeps the margins under pressure. While MMPL benefits to an extent on account of the promoters' operational track record of more than four decades, the pricing flexibility is limited by the intense competition in the industry.

Liquidity

Liquidity profile of the company stood weak owing to the company's stretched liquidity position.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Trading Companies
Parent/Group Support	Not applicable
Consolidation /Standalone	The ratings are based on the standalone financial profile of the company

About the company

Mahesh Merchandise Private Limited was incorporated in 2006 by Mr. Shish Pal Mittal. It is involved in the trading and processing of timber logs. The company's offices are located in Karnal, Gandhidham and Delhi. The company has milling facilities at Gandhidham, Gujarat, which is close to Kandla and Mundra ports. Mr. Shish Pal Mittal has an extensive experience in the timber business. Prior to incorporating MMPL, he was involved in other timber processing entities as a partner/director.

Key financial indicators (Audited)

	FY2016	FY2017
Operating Income (Rs. crore)	90.72	76.84
PAT (Rs. crore)	0.39	0.37
OPBDIT/OI (%)	1.94%	2.37%
RoCE (%)	5.46%	4.82%
Total Debt/TNW (times)	0.32	0.35
Total Debt/OPBDIT (times)	5.64	5.96
Interest Coverage (times)	1.12	1.27

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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 April 2019	Date & Rating in FY2018 December 2017	Date & Rating in FY2017 March 2017	Date & Rating in FY2017 July 2016	
1	Fund based limits	Long Term	10.0	-	[ICRA]D	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)	[ICRA]BB (Stable)
2	Non-fund-based limits	Short term	19.50	-	[ICRA]D	[ICRA]A4	[ICRA]A4	[ICRA]A4

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	Fund based limits	NA	NA	NA	10.00	[ICRA]D
NA	Non-fund-based limits	NA	NA	NA	19.50	[ICRA]D

Source: MMPL

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