

Press Release

Akash Coke Industries Private Limited (ACIPL)

25 January, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.18.80 Cr
Long Term Rating	SMERA BB-/Stable (Reaffirmed)
Short Term Rating	SMERA A4 (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.15.80 crore bank facilities and assigned ratings of **SMERA BB-/Stable/SMERA A4** on the Rs.0.70 crore bank facilities of Akash Coke Industries Private Limited (ACIPL). The outlook is '**Stable**'.

SMERA has also withdrawn the rating of SMERA A4 (read as SMERA A four) with immediate effect on Standby Line of Credit of Rs.2.30 crore on account of full payment of dues.

The ratings continued to be supported by the experienced management and moderate financial risk profile. However, the ratings are constrained by the modest scale of operations and working capital intensive business. The ratings also factor in the susceptibility of profit margins to volatility in raw material prices.

List of key rating drivers and their detailed description

Strengths:

Experienced management: Mr. Kedar Mittal, Director, has an experience of around three decades in the hard coke manufacturing industry.

Moderate financial risk profile: The net worth of the company stood at Rs.16.86 crore as on 31 March, 2016. The gearing stood moderate at around 1.54 times as on 31 March, 2016. However, the interest coverage ratio stood moderately low at around 1.38 times in FY2016.

Weaknesses:

Modest scale of operations: The company has modest scale of operations. The revenue declined from Rs.35.19 crore in FY2015 to Rs.27.66 crore in FY2016 mainly on account of low realisation and sluggish demand from the steel industry. Further, the company earned revenue of Rs.22.53 crore (provisional) during April to November, 2016.

Working capital intensive operations: The GCA increased from 272 days in FY2015 to 305 days in FY2016 mainly on account of high debtor days. Debtor days increased from 171 in FY2015 to 186 in FY2016 owing to delay from the customers which faced difficulties due to steel industry slowdown.

Susceptibility of profit margins to volatility in raw material prices: The company has fluctuating operating margins. The margins registered decline to 13.47 per cent in FY2016 from 19.87 per cent in FY2015 on account of fluctuations in raw material cost.

Analytical approach: SMERA has considered the standalone financial and business risk profiles to arrive at the ratings.

Applicable Criteria

- Manufacturing Entities: <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios & Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the company will maintain a stable outlook on account of its experienced management. The outlook may be revised to 'Positive' if the firm registers strong growth in revenue and profitability margins and improves its financial risk profile. The outlook may be revised to 'Negative' in case of steep decline in the revenue and profit margins or deterioration in the capital structure.

About the Company

The Jharkhand-based ACIPL was established as a partnership firm in 1973 and converted to private limited in 1988. The company manufactures hard coke and has an installed capacity of 1,26,000 tonnes per annum. The day-to-day activities are managed by Mr. Kedar Mittal and Mr. Jaideep Mukherjee.

For FY2015-16, ACIPL reported profit after tax (PAT) of Rs.1.10 crore on operating income of Rs.27.66 crore, as compared to PAT of Rs.1.27 crore on operating income of Rs.35.19 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: The net profit of Rs.1.10 crore is largely supported by non-operating income of Rs.1.98 crore in FY2016.

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	15.00	SMERA BB-/ Stable (Reaffirmed)	-	-	17 Nov 2015	SMERA BB-/ Stable (Assigned)	-	-
Standby Line of Credit	ST	2.30	SMERA A4 (Withdrawn)	-	-	17 Nov 2015	SMERA A4 (Assigned)	-	-
Bank Guarantee	ST	0.80 (Reduced from Rs.1.50 crore)	SMERA A4 (Reaffirmed)	-	-	17 Nov 2015	SMERA A4 (Assigned)	-	-
Proposed Facilities	LT/ ST	0.70	SMERA BB-/Stable/ SMERA A4 (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	NA	NA	NA	15.00	SMERA BB-/Stable (Reaffirmed)
Standby Line of Credit	NA	NA	NA	2.30	SMERA A4 (Withdrawal)
Bank Guarantee	NA	NA	NA	0.80 (Reduced from Rs.1.50 crore)	SMERA A4 (Reaffirmed)
Proposed Facilities	NA	NA	NA	0.70	SMERA BB-/Stable/ SMERA A4 (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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