

Press Release

Akash Coke Industries Private Limited

16 March, 2018



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 18.80 Cr.
Long Term Rating	SMERA BB- /Outlook: Stable
Short Term Rating	SMERA A4

*Refer annexure for details

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 '**SMERA BB-**' (read as SMERA double B minus) on the Rs. 3.00 crore bank facilities of Akash Coke Industries Private Limited (ACIPL). The outlook is '**Stable**'.

ACIPL, is a Jharkhand-based partnership firm established in 1973 and converted to private limited in 1988. The company manufactures hard coke and has an installed capacity of 1,26,900 tonnes per annum. ACIPL caters to the power and iron industries. The day-to-day operations are led by Mr. Kedar Mittal and Mr. Jaideep Mukherjee.

Key rating drivers

Strengths

Experienced management

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

Moderate financial risk profile

ACIPL has moderate financial risk profile marked by net worth of Rs.17.36 crore as on 31 March, 2017 compared to Rs. 16.86 crore as on 31 March, 2016. The gearing improved to 1.52 times as on 31 March, 2017 from 1.54 times as on 31 March, 2016. The total debt of Rs. 26.30 crore comprises term loan of Rs.5.63 crore from banks and loans, Rs. 6.67 crore from directors/relatives as on 31 March, 2017 and working capital funds of Rs. 14.00 crore. The Interest Coverage ratio stood at 1.30 times in FY2017 as against 1.38 times in FY2016. This is mainly due to decline in profitability in FY2017. The Net Cash Accruals stood at Rs. 0.93 crore. Going forward, SMERA expects the company to maintain its financial risk profile and improve its networth in the absence of major debt funded capex plan.

Weaknesses

Modest scale of operations

The scale of operations is moderate. 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. However, revenue increased to Rs. 32.23 crore in FY2017. Further, the company earned revenue of Rs.35.25 crore (Provisional) during April to February, 2018.

Working capital intensive operations

The operations are working capital intensive evident from the GCA days of 277 days in FY2017 as against 305 days in FY2016. This is majorly on account of stretched debtor days of 171 in FY2017 as against 186 days in FY2016. However, the GCA days improved in FY2017 due to decrease in inventory holding period from 64 days in FY2016 to 48 days in FY2017. The average bank limit utilisation stood at 90 percent for the last six months ended February, 2018.

Susceptibility of profit margins to volatility in raw material prices

The prices of raw material (coking coal) are volatile in nature affecting margins. Volatility in raw material prices and finished goods, sensitivity to geological conditions and unfavourable changes in regulations are the rating sensitivities.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of ACIPL to arrive at the rating.

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 company registers strong growth in revenue, profitability margins and improves its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue and profit margins or deterioration in the capital structure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	32.23	27.66	35.19
EBITDA	Rs. Cr.	3.98	3.72	6.99
PAT	Rs. Cr.	0.47	1.10	1.27
EBITDA Margin	(%)	12.33	13.47	19.87
PAT Margin	(%)	1.46	3.97	3.60
ROCE	(%)	9.37	12.17	14.68
Total Debt/Tangible Net Worth	Times	1.52	1.54	1.85
PBDIT/Interest	Times	1.30	1.38	1.47
Total Debt/PBDIT	Times	5.81	4.54	4.18
Gross Current Assets (Days)	Days	277	305	273

Status of non-cooperation with previous CRA (if applicable):

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
25-Jan, 2017	Cash Credit	Long Term	15.00	SMERA BB- / Stable (Reaffirmed)
	Standby Line of Credit	Short Term	2.30	SMERA A4 (Withdrawn)
	Bank Guarantee	Short Term	0.80	SMERA A4 (Reaffirmed)
	Proposed Working Capital Demand Loan	Long Term	0.70	SMERA BB- / Stable (Assigned)
17-Nov, 2015	Cash Credit	Long Term	15.00	SMERA BB- / Stable (Assigned)
	Standby Line of Credit	Short Term	2.30	SMERA A4 (Assigned)
	Bank Guarantee	Short Term	1.50	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	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA BB-/ Stable (Reaffirmed)
Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB-/ Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.80	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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