

Press Release

ASHOK KUMAR MITTAL

February 24, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 7.00 crore bank facilities of ASHOK KUMAR MITTAL. The outlook is '**Stable**'.

Ashok Kumar Mittal (AKM) was established in 1985 as a proprietorship concern by Mr. Ashok Kr. Mittal. The ownership changed to his son, Mr. Deepak Kumar Mittal in 2002 who currently manages the day to day operations of the firm. The firm is engaged in providing civil construction service for Public Works Department (PWD) and Irrigation department to the Chhattisgarh government.

Key Rating Drivers

Strengths

- **Above average financial risk profile:**

The above average financial risk profile of the company is marked by moderate network, comfortable gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.7.21 crore in FY2017 as increased from Rs.5.81 crore in FY2016, mainly on account of retention of current year profit. The gearing of the company stood comfortable at 0.99 times in FY2017 as compared to 0.87 times in FY2016. The marginal increase in the gearing levels is due to increase in long term debt. The interest coverage ratio (ICR) of the company stood comfortable at 4.14 times in FY2017 as against 4.66 times in FY2016. The debt service coverage ratio (DSCR) of the company stood comfortable at 4.14 times in FY2017 as compare to 2.83 times in FY2016. The net cash accruals to total debt (NCA/TD) stand comfortable at 0.35 times in FY2017 as compare to 0.34 times in FY2016.

- **Long track record of operations and experienced management:**

The firm was established in 1995 and has since inception been able to establish comfortable relationships with their key customers like the PWD. The current proprietor, Mr. Deepak Kumar Mittal has been actively involved in the day to day operations of the entity since more than 15 years.

Weaknesses

- **Moderate scale of operation:**

The scale of operations of the entity stood at moderate levels of around Rs. 46.53 crs in FY'2017 as compared to Rs. 31.15 crs in the preceding year. The firm has booked revenues of around Rs. 37 crs till December 31, 2018 (provisional).

- **Working capital intensive nature of operation:**

The company's operations are working capital intensive as reflected in gross current assets (GCA) of 110 days in 2016-17, deteriorated from 97 days in 2015-16. These high GCA days emanate from collection period of 15 days in FY17. The company's operations are expected to remain capital intensive, as the

company is engaged in civil construction work and solely caters to Government authority. The high GCA days have also resulted from other current assets of Rs.13.83 crore in FY2017, which mainly includes deposits advances to the Government.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of AKM.

Outlook: Stable

SMERA believes that AKM will continue to benefit over the medium term from its established presence in this industry and experienced management. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues while improving its margins along with its working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile or if the working capital cycle elongates.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	46.53	31.15	21.08
EBITDA	Rs. Cr.	2.81	1.69	1.34
PAT	Rs. Cr.	1.87	1.22	0.83
EBITDA Margin	(%)	6.04	5.42	6.38
PAT Margin	(%)	4.02	3.92	3.93
ROCE	(%)	21.03	16.84	24.03
Total Debt/Tangible Net Worth	Times	0.99	0.87	0.90
PBDIT/Interest	Times	4.14	4.66	3.05
Total Debt/PBDIT	Times	2.20	2.34	2.27
Gross Current Assets (Days)	Days	110	97	100

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB / Stable
Bank guarantee/Letter of	Not	Not	Not	5.00	SMERA A4+

Guarantee	Applicable	Applicable	Applicable		
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Contacts

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