Press Release

Ashok Kumar Mittal

August 05, 2021

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.12.00 Cr.
Long Term Rating	ACUITE BB+/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long term rating of **ACUITE BB+' (read as ACUITE double B plus)** and the short term rating of **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs.12.00 crore bank facilities of Ashok Kumar Mittal (AKM). The outlook is **'Stable'**.

About the Company

Ashok Kumar Mittal (AKM) was established in the year of 1985 as a proprietorship concern by Mr. Ashok Kumar. Mittal. In the year of 2002, to Mr. Deepak Kumar Mittal took over the firm as the proprietor. The firm is engaged in providing civil construction service for PWD and Irrigation Dept. to the Chhattisgarh Govt. The registered office is located in Korba, district of Chhattisgarh.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of AKM to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management.**
  The operations of AKM commenced in 1985. The proprietor, Mr. Ashok Kumar Mittal has experience of more than three decades in civil construction and well supported by a second line of generation comprising Mr. Deepak Kumar Mittal. Due to established track record in the construction industry, the firm has established relations with its customers and suppliers which has benefitted in terms of new orders in competitive bidding. Acuité believes that the firm will continue to benefit from proprietor's extensive experience in the industry and its improving business risk profile over the medium term.

- **Moderate financial risk profile**
  The financial risk profile of the firm stood healthy marked by moderate net worth, moderate gearing and moderate debt protection metrics. The tangible net worth stood at Rs.17.02 crore as on March 31, 2021 (Prov.) as against Rs.12.87 crore as on March 31, 2020. The total debt of the firm stood at Rs.12.49 crore includes Rs.11.08 crore of long term debt, Rs.1.41 crore of unsecured loan as on March 31, 2021 (Prov.). The gearing (debt-equity) stood at 0.73 times as on March 31, 2021 (Prov.) as compared to 0.75 times as on March 31, 2020. Interest Coverage Ratio stood at 5.00 times for FY2021 (Prov.) as against 3.92 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 5.00 times for FY2021 (Prov.) as against 3.92 times for FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.02 times as on March 31, 2021 (Prov.) as against 1.71 times on March 31, 2020. Net Cash Accruals to Total Debt (NCA/TD) also stood moderate at 0.42 times for FY2021 (Prov.) as against 0.29 times for FY2020.
  Acuité believes that the financial risk profile of the firm is expected to remain at the same level over the medium term.

Weaknesses

- **Competitive and fragmented industry**
  AKM is into the business of civil construction. This particular sector is marked by the presence of several mid to big size players. AKM faces intense competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of biding of contracts. However, this risk is mitigated to an extent as management has been operating in this environment for last 35 years.

- **Capital withdrawal risk**
  AKM is exposed to risk of capital withdrawal considering its proprietorship constitution. However, there were no significant withdrawals observed during the period understudy.

Rating Sensitivities

- Significant improvement in operating performance with improvement in profitability margin.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Adequate

The firm has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.2.75-7.20 crore during the last three years through 2018-20, while its maturing debt obligations were Rs.1.80-2.35 crore over the same period. The firm's working capital operation is efficient marked by gross current asset (GCA) of 62 days in FY2021 (Prov.) as against 48 days in FY2020. The firm maintains an unencumbered cash and bank balances of Rs.0.22 crore as on March 31, 2021 (Prov.). The current ratio of the firm stood low at 0.80 times as on March 31, 2021 (Prov.). The average bank limit utilization stood high at around 88 percent for the last 6 months ended April 2021.

Outlook: Stable

Acuité believes that the firm will continue to maintain a 'Stable' outlook over near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the firm achieves higher than expected growth in revenues along with improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	103.40	45.92
PAT	Rs. Cr.	4.18	1.91
PAT Margin	(%)	4.04	4.16
Total Debt/Tangible Net Worth	Times	0.73	0.75
PBDIT/Interest	Times	5.00	3.92

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

Not Applicable

Any other information

None.

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm

- Infrastructure Entities - https://www.acuite.in/view-rating-criteria-51.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Feb-2020	Cash Credit	Long Term	2.50	ACUITE BB+/ Stable (Upgraded)
	Bank Guarantee	Short Term	5.75	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	3.75	ACUITE BB+/ Stable (Assigned)
25-Mar-2019	Cash Credit	Long Term	2.00	ACUITE BB/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
24-Feb-2018	Cash Credit	Long Term	2.00	ACUITE BB/ Stable (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
UCO Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB+/ Stable (Reaffirmed)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB+/ Stable (Reaffirmed)
UCO Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	9.00*	ACUITE A4+ (Reaffirmed)

**Includes one-time bank guarantee of Rs.1.25 crore.*

Contacts

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About Acuité Ratings & Research:

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