

## Press Release

Ashok Kumar Mittal

May 08, 2023



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.00	ACUITE BB   Stable   Assigned	-
Bank Loan Ratings	3.00	ACUITE BB   Stable   Reaffirmed	-
Bank Loan Ratings	2.00	-	ACUITE A4+   Assigned
Bank Loan Ratings	9.00	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	16.00	-	-

### Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) 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).

Acuite has assigned the long term rating to '**ACUITE BB**' (read as **ACUITE double B**) and the short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.4.00 crore bank facilities of Ashok Kumar Mittal (AKM).

The outlook is '**Stable**'.

### Rationale for Rating

The reaffirmation in the rating takes into consideration the established track record of operations of the firm and extensive experience of the promoters in the construction industry. AKM has recorded an operating income of Rs.118.55 Cr in FY2023 (Prov) as against Rs.128.84 Cr in FY2022. The rating also factors in the efficient working capital operations, moderate financial risk profile of the firm marked by low gearing levels of 0.91 times as on March 31, 2022 and adequate liquidity position. These strengths are partially offset by the firm's Competitive & fragmented nature of industry and capital withdrawal risk.

### 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

Acuite 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 moderate marked by moderate net worth, moderate gearing and moderate debt protection metrics. The tangible net worth stood at Rs.18.25 crore as on 31 March 2022 as against Rs.15.19 crore as on 31 March 2021. The total debt of the firm stood at Rs.16.62 crore includes Rs. 11.23 crore of long-term debt, Rs.2.59 crore of short-term debt and Rs.2.80 crore of Unsecured loans as on 31 March, 2022. The gearing (debt-equity) stood at 0.91 times as on 31 March 2022 as compared to 0.82 times as on 31 March, 2021. Interest Coverage Ratio stood at 5.50 times for FY2022 as against 6.42 times for FY2021. Debt Service Coverage Ratio (DSCR) stood at 5.50 times in FY2022 as against 6.42 times in FY2021. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 3.03 times as on 31 March, 2022 as against 2.78 times as on 31 March, 2021. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.36 times for FY2022 and FY2021.

Acuité believes that the financial risk profile of the firm is expected to remain at the same level over the medium term.

#### >Efficient Working Capital Operations

The working capital management of the firm is efficient marked by GCA days of 57 days in FY2022 as against 90 days in FY2021. Debtor days stood at 38 days in FY2022 as against 49 days in FY2021. The firm is in practice of submitting RA bill to the government every month for receiving the payment. However, the creditor days stood at 91 days in FY2022 as against 73 days in FY2021. The average credit period allowed by suppliers is around 60-90 days. Inventory Days stood at 4 days in FY2022 as against 13 days in FY2021.

Acuité believes that the working capital management of the company will continue to remain a key rating sensitivity going ahead.

### 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 bidding 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

- 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's liquidity position is adequate, marked by marked by moderate net cash accruals to its maturing debt obligations. The firm generated sufficient net cash accruals in the range of Rs.2.75-5.94 Crore in FY2020-22 against no maturity repayment obligations crore in the same tenure. In addition, it is expected to generate sufficient cash accrual in the range of Rs.5.94-10.71 crore against the maturing repayment obligations of Rs.1.80-2.00 crore over the medium term. The working capital management of the firm is efficient marked by GCA days of 57 days in FY2022 as against 90 days in FY2021. The average utilization for the fund-based limits is approx. ~85% percent of the sanctioned amount for the past 06 months ended February 2023. The average utilization for the non-fund-based limits is approx. ~90% percent of the sanctioned amount. The firm maintains unencumbered cash and bank balances of Rs.0.19 crore as on March 31, 2022. The current ratio stands at 0.63 times as on March 31, 2022, as against 0.83 times as on 31 March, 2021.

Acuité believes the company may continue to maintain adequate liquidity position over the medium term on account of steady accruals.

## 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.

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	128.84	103.37
PAT	Rs. Cr.	4.37	3.04
PAT Margin	(%)	3.39	2.94
Total Debt/Tangible Net Worth	Times	0.91	0.82
PBDIT/Interest	Times	5.50	6.42

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

Not Available

## Any other information

None.

## Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

## Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general

understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Oct 2022	Bank Guarantee	Short Term	9.00	ACUITE A4+ ( Issuer not co-operating*)
	Proposed Bank Facility	Long Term	0.50	ACUITE BB (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	2.50	ACUITE BB (Downgraded and Issuer not co-operating*)
05 Aug 2021	Cash Credit	Long Term	2.50	ACUITE BB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	9.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	0.50	ACUITE BB+   Stable (Reaffirmed)
28 Feb 2020	Bank Guarantee	Short Term	5.75	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	2.50	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Proposed Bank Facility	Long Term	3.75	ACUITE BB+   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
UCO Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A4+   Reaffirmed
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE BB   Stable   Reaffirmed
UCO Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A4+   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE BB   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.30	ACUITE BB   Stable   Assigned
UCO Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.06	ACUITE BB   Stable   Assigned
UCO Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.39	ACUITE BB   Stable   Assigned
UCO Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.25	ACUITE BB   Stable   Assigned

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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