



Press Release
Ashok Kumar Mittal
December 18, 2023
Rating Assigned, Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	0.70	ACUITE BB Reaffirmed & Withdrawn	-
Bank Loan Ratings	2.50	ACUITE BB Stable Reaffirmed	-
Bank Loan Ratings	1.80	Not Applicable Withdrawn	-
Bank Loan Ratings	12.00	-	ACUITE A4+ Assigned
Bank Loan Ratings	11.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	25.50	-	-
Total Withdrawn Quantum (Rs. Cr)	2.50	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.2.50 crore bank facilities of Ashok Kumar Mittal (AKM). The outlook is '**Stable**'.

Acuite has reaffirmed the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.11 crore bank facilities of Ashok Kumar Mittal (AKM).

Acuite has assigned the short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.12.00 crore bank facilities of Ashok Kumar Mittal (AKM).

Acuite has reaffirmed & withdrawn its long term rating to '**ACUITE BB**' (read as **ACUITE double B**) on the bank facilities of Rs.0.70 crore and also withdrawn the long term rating on the Rs.1.80 Cr proposed bank facilities of Ashok Kumar Mittal (AKM).

The rating has been withdrawn on account of the request received from the company and No Objection Certificate received from the banker, as per Acuite's policy of withdrawal of ratings.

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.123.54 Cr as on FY2023 and 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 0.79 times as on March 31, 2023 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

Incorporated in 1985 Mr. Ashok Kumar Mittal established Ashok Kumar Mittal (AKM), a Chhattisgarh-based company, as a sole proprietorship. In 2002, the company started offering the Chhattisgarh government irrigation and PWD departments civil construction services. The

registered office is located in Korba, in the district of Chhattisgarh.

Unsupported Rating

Not Applicable

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.

Average financial risk profile

The financial risk profile of the company remained moderate marked by moderate net worth, comfortable gearing and moderate debt protection metrics. The net worth of Rs.22.68 Cr as on FY2023 as against Rs.18.25 Cr as on FY2022. The gearing (debt-equity) stood at 0.79 times as on FY2023 as against 0.91 times as on FY2022. The total debt of Rs.18.00 Cr as on FY2023 consists of long-term of Rs.10.91 Cr., unsecured loan from directors of Rs. 4.67 Cr and short term debt of Rs. 2.42 Cr. The interest coverage ratio stood at 6.04 times for FY2023 as against 5.50 times for FY2022. The Net Cash Accruals to Total debt stood at 0.36 times for FY2023 and FY2022. The Total outside liabilities to Tangible net worth stood high at 2.62 times for FY2023 as against 3.03 times in FY2022.

Efficient working capital cycle

The working capital management of the company remained efficient marked by Gross Current Assets (GCA) of 59 days for FY2023 as compared to 57 days as on FY2022. The debtor period stood at 28 days for FY2023 and as against 38 days for FY2022. Further, the inventory holding stood at 06 days for FY2023 as against 04 days for FY2022. However, the creditor days stood at 116 days in FY2023 as against 91 days in FY2022. The average credit period allowed by suppliers is around 60-90 days. 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.

All Covenants

None

Liquidity Position

Adequate

The firm's liquidity position is adequate, marked by moderate net cash accruals to its maturing debt obligations. The firm generated sufficient net cash accruals in the range of Rs.4.51-6.51 Crore in FY2021-23 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.7.73-9.12 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 59 days in FY2023. The firm maintains unencumbered cash and bank balances of Rs.0.18 crore as on March 31, 2023. The current ratio stands at 0.64 times as on March 31, 2023.

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	123.54	128.84
PAT	Rs. Cr.	4.47	4.37
PAT Margin	(%)	3.62	3.39
Total Debt/Tangible Net Worth	Times	0.79	0.91
PBDIT/Interest	Times	6.04	5.50

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

Not Applicable

Any other information

None

Applicable Criteria

- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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, Acuite 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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 May 2023	Term Loan	Long Term	0.06	ACUITE BB Stable (Assigned)
	Working Capital Term Loan	Long Term	0.39	ACUITE BB Stable (Assigned)
	Working Capital Term Loan	Long Term	0.25	ACUITE BB Stable (Assigned)
	Proposed Bank Facility	Long Term	1.30	ACUITE BB Stable (Assigned)
	Bank Guarantee	Short Term	9.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	2.50	ACUITE BB Stable (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	0.50	ACUITE BB Stable (Reaffirmed)
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)
	Proposed Bank Facility	Long Term	0.50	ACUITE BB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	9.00	ACUITE A4+ (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 (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A4+ Assigned
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+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.30	Not Applicable Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	Not Applicable Withdrawn
UCO Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.06	ACUITE BB Reaffirmed & Withdrawn
UCO Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.39	ACUITE BB Reaffirmed & Withdrawn
UCO Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.25	ACUITE BB Reaffirmed & Withdrawn

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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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