Rating Rationale

Mithlesh Kumar Shukla

29 Jan 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 6.00 Crores of Mithlesh Kumar Shukla.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit	**5.00**	**Long Term**	**BWR B+ (Pronounced BWR Single B Plus) Outlook: Stable**
Non Fund Based Bank Guarantee	**1.00**	**Short Term**	**BWR A4 (Pronounced BWR Single A Four)**
Total	**6.00**	**INR Six Crores Only**	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating under Credit Watch with Stable

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial statements of the company upto FY18 and selected financial data for the current financial year and projections for FY19 & FY20 and information/clarifications provided by the management.The rating draws strength from good experience of the proprietor with good customer base, long standing relationship with its suppliers and customers, moderate profit margins, low gearing indicating safety of the business and moderate coverage ratios.The rating however is constrained by its sole proprietorship nature of business, small scale of operations and demand side risk since it is a tender based business.

Description of Key Rating Drivers
Credit Strengths:

- **Good Experience of the proprietor with good customer base-** The firm has been in the civil construction business for more than a decade now.The proprietor has managed to procure contracts/work orders from Central and State government departments such as Irrigation, PWD, PACFED etc. The firm has also taken orders of supply of general items in government departments like Samaj Kalyan, Collectorate etc.
- **Moderate Profit Margins-**Net profit margin @ 7.18% and operating profit margin @ 9.26% signifies that the firm is able to generate moderate profits irrespective of the tender based nature of business.
- **Low gearing indicates safety of the business-**Gearing is low as comparison to the previous year at levels of 0.79x (Analyzed Total debt/TNW) indicating the safety of the business.
- **Moderate Coverage-** Moderate ISCR @ 2.79x, 2.68x and 5.31x in FY 18, FY17 and FY 16 respectively indicates that the firm is able to meet its interest obligations.

Credit Risks:

- **Sole Proprietorship-** Since the firm is of proprietorship nature, the business suffers from the inherent risk of capital being withdrawn.
- **Tender Based Business-** The company participates in tenders floated by state and central government departments and there is uncertainty of orders, thus exposing the company to demand side risk.
- **Small scale of Operations-**Though the revenue of the company has grown year on year basis, the scale of revenue at 7.01 crores for FY18 is considered small.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Mithlesh Kumar Shukla** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Mithlesh Kumar Shukla is a sole proprietorship firm, with Mr. Mithlesh Kumar Shukla being the key promoter. The business was established in January 2000 with State government and Central government departments as its customers.The firm is engaged in the business of civil construction work and has many construction/civil contracts of State and Central government departments such as Irrigation, Railways, PWD etc.The firm started its business in Irrigation department, Balrampur and Bahraich.

Company's Financial Performance

During FY18, the firm reported total operating income of Rs.7.01 Crs and PAT of Rs.0.50 Crs. During FY19 as informed by the proprietor, the firm has achieved total revenue of Rs.10.66 Crs for nine and half months period ending 21st January 2019.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	7.01	4.29
EBITDA	₹ Cr	0.65	0.48
PAT	₹ Cr	0.50	0.31
Tangible Net worth (Analyzed)	₹ Cr	3.14	1.75
Total Debt/Tangible Net worth (Analyzed)	Times	0.79	1.46
Current Ratio	Times	2.42	-

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1.	**Fund Based** Cash Credit	Long Term	5.00	**BWR B+ (Pronounced BWR Single B Plus) Outlook: Stable**	**N/A**		
2.	**Non Fund Based** Bank Guarantee	Short Term	1.00	**BWR A4 (Pronounced BWR Single A Four)**			
	Total		**6.00**	**₹ INR Six Crores Only**			

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

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.
BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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