

## Press Release

### Ajay Protech Private Limited

June 25, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 40.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A3

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.40.00 crore bank facilities of Ajay Protech Private Limited. The outlook is '**Stable**'.

Ajay Protech Private Limited (APPL) based in Mehsana (Gujarat) was established as a partnership firm in 1977 by Mr. Amratlal Patel and Mr. Chandresh Patel. Later in 2011, it was converted to a private limited company and is registered as an AA-class and Special Category Bridge-I contractors with Government of Gujarat. The company is engaged in EPC (Engineering, Procuring and Construction) of roads and bridges including rail over bridges and flyovers all across India.

### Key Rating Drivers

#### Strengths

- **Established track record of operations and experienced management**

The Directors have more than four decades of experience in the civil construction industry. The company was established in 1977, thereby, establishing track record of four decades. APPL has executed projects for Public Works Department, for Government of Gujarat, Madhya Pradesh, Maharashtra and Rajasthan. Acuité believes that the established track record of operations will help to sustain the existing business profile over the medium term.

- **Healthy order book position with strong revenue visibility**

APPL has healthy unexecuted order book position of Rs.307.96 crore which gives future visibility of revenues over the near to medium term. These orders are geographically diversified in the state of Gujarat, Madhya Pradesh, Maharashtra and Bihar. Being into civil construction industry since 1977, APPL has established long standing relationship with the government departments.

- **Growing scale of operations with healthy operating margins**

APPL has registered improvement in the scale of operations during the period FY2015 to FY2017 under the study. The operating income stood at Rs.168.12 crore in FY2017 as against Rs.123.76 crore in FY2016. Further, the company has registered revenue of Rs.191.56 crore in FY2018 (Provisional). The operating margins of APPL are healthy at 12.59 percent in FY2017 as against 13.57 percent in FY2016. The reason for decline in margin is due to increase in raw material cost in FY2017 over FY2018. The net profitability margin stood at 3.00 percent in FY2017 as against 2.54 percent in FY2016. Acuité believes that APPL will maintain the scale of operations over the medium term on account of healthy order book position.

- **Moderate financial risk profile**

The financial risk profile of APPL is moderate marked by moderate coverage indicators. The tangible net worth stood at Rs.36.58 crore as on 31 March, 2017 (which includes unsecured loans of Rs.15.18 crore considered as quasi equity) as against Rs.26.07 crore as on 31 March, 2016. The gearing (debt/equity) stood at 0.82 times as on 31 March, 2017 as against 1.21 times as on 31 March, 2016. The total debt of Rs.29.92 crore outstanding as on 31 March, 2017 comprises secured term loan from the bank of Rs.18.64 crore, Rs.7.85 crore as working

capital borrowing from the bank and Rs.3.44 crore as unsecured loans from relatives. Interest Coverage Ratio stood at 2.93 times in FY2017 as against 3.39 times in FY2016. The debt service coverage ratio stood below average at 2.76 times in FY2017 as against 3.06 times in FY2016. The net cash accruals are healthy at Rs.13.24 crore in FY2017 as against Rs.10.26 crore in FY2016. Total outside liabilities to tangible net worth ratio stood at 2.68 times as on 31 March, 2017 as against 2.60 times as on 31 March, 2016. Acuité believes that the company will maintain its financial risk profile on the back of healthy net cash accruals generation over the medium term.

## Weaknesses

- **Working capital intensive operations**

The operations of APPL are working capital intensive marked by Gross Current Assets of 133 days in FY2017 as against 124 days in FY2016. This is majorly on account of high receivable days of 79 in FY2017 as against 74 days in FY2016. The receivables are from the government entities where the payment terms are around 90 days. Although, risk associated with delayed payment exists but due to good liaisons and promoter's extensive experience. APPL has managed to collect payments within 90 to 100 days from work certification. The average bank limit utilisation stood at 90-95 percent for the last six months ended May 2018. The company has cash and bank balance of Rs.4.67 crore as on 31 March, 2017. Acuité believes that being into civil construction industry, the operations of the company will remain working capital intensive over the mediumterm.

- **Competitive and fragmented industry**

The civil construction sector is marked by the presence of several mid to big sized players. The company faces intense competition from other players. Risk becomes more pronounced as tenders are based on the minimum amount of bidding of contracts. However, the risk is mitigated to an extent as the management has been in the business for more than four decades.

## Analytical Approach

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

## Outlook: Stable

Acuité believes that AAPL will maintain a 'Stable' outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenue and net cash accruals while maintaining healthy debt protection metrics. Conversely the outlook may be revised to 'Negative' in case of lower-than- expected growth in revenue and profitability, deterioration in the financial risk profile or higher than expected working capital requirements.

## About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	168.12	123.76	104.39
EBITDA	Rs. Cr.	21.17	16.79	11.51
PAT	Rs. Cr.	5.05	3.15	1.15
EBITDA Margin	(%)	12.59	13.57	11.03
PAT Margin	(%)	3.00	2.54	1.10
ROCE	(%)	22.33	19.18	29.74
Total Debt/Tangible Net Worth	Times	0.82	1.21	1.21
PBDIT/Interest	Times	2.93	3.39	2.49
Total Debt/PBDIT	Times	1.36	1.87	2.07
Gross Current Assets (Days)	Days	133	124	115

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

CARE, vide its press release dated February 28, 2018 had denoted the rating of Ajay Protech Private Limited as 'CARE BB/Stable/CARE A4; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at 'CARE BB+/Stable/CARE A4+' vide its press release dated January 17, 2017.

### **Any other information**

None

### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>

### **Note on complexity levels of the rated instrument**

<https://www.acuite.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB- / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A3 (Assigned)

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**About Acuité Ratings & Research:**

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