

Press Release

Apex Structure Private Limited

August 19, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 27.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite 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. 27.00 crore bank facilities of APEX STRUCTURE PRIVATE LIMITED. The outlook is '**Stable**'.

Indore-based, Apex Structure Private Limited (ASPL) was incorporated in 2007. The company is engaged in infrastructure development such as road construction, bridge construction, building construction, township development, Compound/Boundary Wall Development, among others for Government, semi-government and private organisations. The company is promoted by Mr. Nitin Agarwal as a Managing Director and Mrs. Bhawna as a Director.

Analytical Approach

For arriving at its ratings, Acuite has taken standalone business and financial risk profile of the company.

Key Rating Drivers

Strengths

• Experienced management and establish track record

ASPL was founded by Mr. Nitin Agrawal, a first generation entrepreneur, having over more than one decade of experience in infrastructure development. The other director, Mrs. Bhawna, possess more than 5 years of experience in the said line of business. The company is also well supported by second line of management. The established track record of operations and extensive experience of the promoters have helped company in successful bidding of orders and maintaining longstanding relationship with its clients, suppliers.

• Improving revenue and moderate order book position

The revenue of the company are growing at Compounded Annual Growth Rate (CAGR) of 58.31 percent since 2016. The operating revenue of the company have registered a 152.88 per cent growth Y-o-Y to Rs. 78.31 crore in FY2019 (Provisional) as against Rs. 30.97 crore in FY2018. The significant growth is marked by winning new tenders and timely execution of order book. Further, the company has total order book of Rs. 188.58 crore of which Rs. 64.12 crore order has been executed as on July 2019. The unexecuted order book of Rs.124.47 crore to be executed in FY2020 provides revenue visibility over medium term.

• Moderate financial risk profile

The financial risk profile is marked by net worth of Rs. 8.97 crore as on 31 March, 2019 (Provisional) as against Rs. 5.51 crore as on 31 March, 2018. The gearing (debt equity) ratio stood at 0.44 times as on 31 March, 2019 (Provisional) as against 0.56 times as on 31 March, 2018. The interest coverage ratio (ICR) stood at 12.12 times as on 31 March, 2019 (Provisional) as against 14.46 times as on 31 March, 2018 due to low interest payment obligations. The TOL/TNW stood at 1.94 times and debt service coverage ratio (DSCR) stood at 1.94 times as on 31 March, 2019 (Provisional). Acuite expects financial risk profile to improve over medium term on account of improving revenue and scale of operations.

Weaknesses

• Declining margins and moderate working capital cycle

The Operating and PAT margins have declined to 8.59 per cent and 4.41 per cent in FY2019 (Provisional) as against 9.54 per cent and 6.97 per cent in FY2018. The margins have declined due to competitive bidding of contracts and steep increase in interest cost. Further, the working capital cycle of the company is marked by Gross Current Assets (GCA) days of 100 days in FY2019 (Provisional) as against 140 days in FY2018. The working capital limits utilisation stood at 23.45 per cent for last six month ending July 2019. However, bank guarantee limits were utilised at 80 to 90 per cent for FY2019 (Provisional).

• Highly competitive and fragmented industry marked by tender based nature of operations

The company operates in the civil construction industry marked by intense competition from several mid to big sized players. The company faces intense competition from the other players in the sector. Further, margins remain affected by the risk to become more pronounced, as tendering is based on minimum amount of bidding of contracts. The same can be seen through uneven margins during last three years ending FY2019. Being a civil contractor, the revenue of ASPL depends on the number of successful bids and availability of fresh tenders for bidding from the government.

Liquidity Position:

ASPL liquidity profile stood adequate marked by net cash accruals of Rs. 4.81 crore as against repayment obligation of Rs. 0.75 crore for FY2019 (Provisional). The current ratio of the company also stood 1.43 times and gross current asset days stood at 100 days in FY2019 (Provisional). This has led to moderate reliance on working capital limits which stood 23.45 per cent utilised for last six months ending July 2019. However, bank guarantee limits were utilised at 80 to 90 per cent for FY2019 (Provisional). Acuite believes that the liquidity of the company is likely to remain adequate over the near to medium term on account of moderate order book position, cash accruals and no major repayments over the medium term.

Outlook: Stable

Acuite believes that ASPL will maintain a 'Stable' outlook and continue to benefit over the medium term from the extensive experience of its promoters. The outlook may be revised to 'Positive' in case of substantial increase in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability or stretch in working capital cycle, weakening the overall financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	78.31	30.97	10.76
EBITDA	Rs. Cr.	6.72	2.95	1.10
PAT	Rs. Cr.	3.46	2.16	1.02
EBITDA Margin	(%)	8.59	9.54	10.24
PAT Margin	(%)	4.41	6.97	9.48
ROCE	(%)	51.26	44.39	37.23
Total Debt/Tangible Net Worth	Times	0.44	0.56	0.60
PBDIT/Interest	Times	12.12	14.46	5.67
Total Debt/PBDIT	Times	0.58	0.87	1.16
Gross Current Assets (Days)	Days	100	140	195

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BBB-/ Stable
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BBB-/ Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	11.50	ACUITE A3
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE A3

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Rupesh Patel Analyst - Rating Operations Tel: 022-49294032 rupesh.patel@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.