



Press Release

Apex Structure Private Limited

D-U-N-S® Number: 67-548-8435

September 21, 2020

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 37.00 crore (enhanced from Rs. 27.00 crore)
Long Term Rating	ACUITE BBB- / Outlook: Positive (Reaffirmed and outlook revised)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 37.00 crore (enhanced from Rs. 27.00 crore) bank facilities of Apex Structure Private Limited (ASPL). The outlook is revised to '**Positive**' from '**Stable**'.

Revision in Outlook

Acuite has revised ASPL outlook to 'Positive' on account of company's demonstrated ability to overcome the industry-related challenges and show improved operating performance in the last five years ending FY2020. Even though there were disruptions in March 2020 and throughout FY2021 due to pandemic, the company was able to register moderate growth in FY2020 and is also expected to marginally improve its top line even in FY2021, when most of the players in the sector are poised for a decline in revenue. The company has also maintained its healthy order book position and overall financial risk profile in the past. The revenues of the company are growing at Compounded Annual Growth Rate (CAGR) of 57.59 percent since 2016. ASPL, has healthy order book stood at Rs.153.98 crore as on August 2020 which is to be executed in FY2021-22. Acuite believes, company will continue to benefit over the medium term from the extensive experience of its promoters.

About Company

Apex Structure Private Limited (ASPL) is based in Indore, was incorporated in 2007. The company is engaged in infrastructure development like road construction, bridge construction, Building construction, township development, Compound/Boundary Wall Development, etc. for government, semi government & private organizations. The company is promoted by Mr. Nitin Agarwal and Mrs. Bhawna.

Analytical Approach

For arriving at its ratings, Acuite has taken the 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 in 1997, which was later on reconstituted in a private limited company in 2007. The key promoter possesses more than a decade of experience in infrastructure development and the construction industry. 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 the second line of management. The established track record of operations and extensive experience of the promoters have helped the company in successful bidding of orders and

maintaining a longstanding relationship with its reputed clients, suppliers. The company caters to various departments of Madhya Pradesh government and some reputed names in private sectors. Acuite believes that the company will benefit from its experienced management, long-standing relations with customers and suppliers over the medium term.

- **Improving revenue and moderate order book position**

The revenues of the company are growing at Compounded Annual Growth Rate (CAGR) of 57.59 percent since 2016. The operating income of the company has registered 11.22 percent growth Y-o-Y to Rs. 76.89 crore for FY2020 (Provisional) as against Rs. 69.14 crores in FY2019 and Rs. 30.97 crores in FY2018. The growth is marked by winning of new tenders and timely execution of order book. The operating margins have also improved to 10.75 percent in FY2020 (Provisional) as against 9.62 percent in FY2019 due to high-value orders. The company's PAT margin stood at 4.84 percent in FY2020 (Provisional) as against 5.05 percent in FY2019. Further, the company has a total order book of Rs. 264.07 crore of which Rs.110.09 crore order has been executed as on August 2020, since 2019. The outstanding unexecuted order book stood healthy at Rs.153.98 crore as on August 2020 which is to be executed in FY2021-22, provides revenue visibility over near to medium term.

- **Moderate financial risk profile**

ASPL's financial risk profile stood moderate, marked by moderate gearing (debt to equity ratio), total outside liabilities to total net worth (TOL/TNW), and debt protection metrics. The Net worth of the company is moderate at Rs. 12.72 crore as on March 31, 2020 (Provisional) as against Rs.9.01 crore as on 31 March, 2019. The improvement in net worth is on account of the retention of profits into the business. The gearing stood low at 0.54 times as on March 31, 2020 (Provisional) as against 0.42 times as on 31 March, 2019. The total debt of Rs. 6.84 crore as on March 31, 2020 (Provisional) consist of unsecured loans which stood at Rs.0.18 crore, long term debt of Rs.3.29 crore and short term debt of Rs.3.37 crore. The interest coverage ratio and net cash accruals to total debt stood comfortable at 8.97 times and 0.91 times, respectively in FY2020 (Provisional). The Debt Service Coverage Ratio (DSCR) stood at 2.94 times as on March 31, 2020 (Provisional) as against 3.86 times as on 31 March, 2019. Acuite expects financial risk profile to improve over the medium term on account of improvement in scale of operations and healthy order book position.

Weaknesses

- **Moderate working capital cycle and customer concentration risk**

The working capital cycle of the company stood moderately intensive in nature marked by Gross Current Assets (GCA) days of Gross Current Asset (GCA) days stood at 153 days as on March 31, 2020 (Provisional) as against 121 days as on March 31, 2019. The debtor's days stood at 53 days as on March 31, 2020 (Provisional) as against 56 days in FY2019. The inventory days has increased to 51 days as on March 31, 2020 (Provisional) as against 18 days in FY2019. The working capital limits are utilized low at 55 percent for six months ending in July 2020, however, the bank guarantee is utilised at 70 to 80 percent during six months ending in July 2020.

Further, the company is exposed to customer concentration risk as top three customer accounts for more than 60.00 percent of revenues in FY2020 (Provisional) and 90 percent of the order book. Thus, resulting in susceptibility of revenues and margins. Any delay in execution of work orders from these customers may result in a decline in operating performance of the company.

- **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 the minimum amount of bidding of contracts. Being a civil contractor, the revenue of ASPL depends on the number of successful bids and the availability of fresh tenders bidding from the government.

Rating Sensitivities

- Improving the scale of operations and margins
- Moderate working capital cycle
- Timely execution of orders and realisation of receivables

Liquidity Profile: Adequate

Liquidity of ASPL's is adequate, marked by comfortable cash accruals of Rs.4.50 to 6.20 crore against repayment obligations of Rs. 0.85-1.95 crores during FY2018-2020. The accruals are expected to be in the range of 4.50 to 6.00 crores against repayment obligation of Rs.1.50 -2.00 crores during FY2021-23. The working capital cycle of the company stood moderately intensive in nature marked by Gross Current Assets (GCA) days of Gross Current Asset (GCA) days stood at 153 days as on March 31, 2020 (Provisional) as against 121 days as on March 31, 2019. The current ratio of the company stood at 1.29 times as on March 31, 2020. It has unencumbered cash balances of Rs. 4.22 crore as on March 31, 2020. 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.

Material Covenants

None

Outlook: Positive

Acuite has revised ASPL outlook to 'Positive' on account of company's demonstrated ability to overcome the industry related challenges and show improvement in the operating performance while maintaining its healthy order book position and overall financial risk profile. The company will continue to benefit over the medium term from the extensive experience of its promoters. Conversely, the outlook may be revised to 'Stable' in case of company inability to achieve the expected increase in revenue and profitability or deterioration in overall financial risk profile is observed.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	76.89	69.14
PAT	Rs. Cr.	3.72	3.49
PAT Margin	(%)	4.84	5.05
Total Debt/Tangible Net Worth	Times	0.54	0.42
PBDIT/Interest	Times	8.97	12.42

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-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
	Cash Credit	Long Term	2.50	ACUITE BBB-/ Stable (Assigned)

19-Aug-2019	Proposed Bank Facility	Long Term	2.50	ACUITE BBB-/ Stable (Assigned)
	Bank Guarantee	Short Term	11.50	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	10.50	ACUITE A3 (Assigned)

***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	3.50 (enhanced from 2.50)	ACUITE BBB-/Positive (Reaffirmed and outlook revised)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	21.50 (enhanced from 11.50)	ACUITE A3 (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A3 (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB-/Positive (Reaffirmed and outlook revised)

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