

Press Release

Apex Structure Private Limited

August 19, 2021

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 53.00 Cr (enhanced from Rs.37.00 crore)
Long Term Rating	ACUITE BBB-/Positive (Reaffirmed)
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. 53.00 crore bank facilities of Apex Structure Private Limited (ASPL). The outlook is '**Positive**'.

Rationale for Rating Reaffirmation

The rating reaffirmation considers the comfort drawn on the long track record of operations and stable business risk profile with an order book position of Rs. 178.69 crore. Coupled to that, the company has a moderate financial risk profile, adequate liquidity with moderate bank limit utilisation. The rating, however, remains constrained on account of volatile operating margin mainly due to nature of business.

About the company

Apex Structure Private Limited (ASPL) 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 Agrawal & his wife Mrs. Bhawna Agrawal.

Analytical approach

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

Key Rating Drivers

Strengths

• Experienced management and established 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 has around two decades of experience in infrastructure development and the construction industry. The other director Mrs. Bhawna has 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 and suppliers. The company caters to various departments of Madhya Pradesh government and some reputed names in private sectors.

The company has reported revenues of Rs. 79.21 crore for FY2021 (Provisional) against Rs. 76.89 crores in FY2020 and Rs. 69.14 crores in FY2019. The company has a total unexecuted order book of Rs. 178.69 crore as on 31 July 2021 which is to be executed by September, 2022 provides revenue visibility over near to medium term. Acuite believes that the company will benefit from its experienced management, long-standing relations with customers and suppliers over the medium term.

• Moderate financial risk profile

ASPL's financial risk profile stood moderate marked by moderate networth, low gearing (debt to equity ratio) and healthy debt protection metrics. The Net worth of the company is moderate at Rs. 16.42 crore as on March 31, 2021 (Provisional) as against Rs.12.70 crore as on 31 March, 2020. The improvement in net worth is on account of retention of profits into the business. The company follows a conservative leverage policy as reflected by its peak gearing of 0.52 times as on March 31, 2020. The total debt of Rs.3.42 crore as on 31 March,

2021 (Provisional) includes working capital borrowings of Rs.0.14 crore and long term borrowings of Rs. 3.28 crore. Since the firm also receives support from trade credit and mobilization advances, its dependence on the banking system for working capital limits is moderate. The gearing is expected to remain low in future due to expectations of healthy net worth. In FY202 (Provisional), net cash accruals stood at Rs.6.34 crore. The moderate profitability coupled with low gearing levels has resulted in healthy debt protection metrics, with interest coverage ratio (ICR) of 11.93 times and NCA/TD of 1.85 times for FY2021 (Provisional).

Acuite believes the company will be able to maintain the moderate financial risk profile in absence of any major debt funded capex plan.

Weaknesses

• Moderate working capital cycle

The working capital cycle of the company stood moderately intensive in nature marked by Gross Current Assets (GCA) days of 140 days as on March 31, 2021 (Provisional) as against 159 days as on March 31, 2020. The debtor's days increased and stood at 81 days as on March 31, 2021 (Provisional) as against 51 days in FY2020. The inventory days stood at 31 days as on March 31, 2021 (Provisional) as against 51 days in FY2020. The working capital limits are utilized moderate at ~63 percent for six months ending in March 2021.

• 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, the margins remain unaffected 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 availability of fresh tenders bidding from the government.

Rating sensitivities

- Significant improvement in the scale of operations along with the profitability margins
- Timely execution of orders and realization of receivables

Material Covenant

None

Liquidity Position: Adequate

Liquidity of ASPL is adequate marked by comfortable cash accruals of Rs.6.34 crore as of 31 March 2021 (Provisional) as against Rs.6.20 crore as of 31 March 2020. The working capital cycle of the company stood moderately intensive in nature marked by Gross Current Asset (GCA) days stood at 140 days as on 31 March 2021 (Provisional) as against 159 days as on 31 March 2020. It has unencumbered cash balances of 0.32 crore as on 31 March 2021. 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: Positive

Acuite believes that ASPL will maintain 'Positive' outlook over the medium term on account of expected improvement in scale of operations coupled with improvement in profitability over a medium term. The rating may be upgraded if the company registers expected or higher-than expected growth in revenues and profitability. Conversely, the outlook may be revised to 'Stable' in case of company's inability to achieve the expected increase in revenue and profitability or deterioration in overall financial risk profile.

About the Rated Entity Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	79.21	76.89
PAT	Rs. Cr.	3.72	3.70
PAT Margin	(%)	4.69	4.81
Total Debt/Tangible Net Worth	Times	0.21	0.52
PBDIT/Interest	Times	11.93	8.94

Status of non-cooperation with previous CRA

Not Applicable

Any other information

None

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 (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
21-Sep-20	Cash Credit	Long term	3.50	ACUITE BBB-/Positive (Reaffirmed & outlook revised)
	Bank Guarantee	Short term	21.50	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short term	11.00	ACUITE A3 (Reaffirmed)
	Overdraft	Long term	1.00	ACUITE BBB-/Positive (Reaffirmed & outlook revised)
19-Aug-19	Cash Credit	Long term	2.50	ACUITE BBB-/Stable (Assigned)
	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

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Yes Bank Ltd	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BBB-/Positive (Reaffirmed)
Axis Bank Ltd	Overdraft	Not Applicable	Not Applicable	Not Applicable	4.50 (enhanced from 1.00)	ACUITE BBB-/Positive (Reaffirmed)
Yes Bank Ltd	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	26.50 (enhanced from 21.50)	ACUITE A3 (Reaffirmed)
Axis Bank Ltd	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	18.50 (enhanced from 11.00)	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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