

Press Release

Apex Structure Private Limited

October 03, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	45.00	-	ACUITE A3 Reaffirmed & Withdrawn
Bank Loan Ratings	8.00	ACUITE BBB- Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	53.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the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 Cr. bank facilities of Apex Structure Private Limited. The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

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

Acuite has considered the standalone business and financial risk profiles of Apex Structure Private Limited to arrive at this rating.

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.

ASPL's operating income improved to Rs.119.27 Cr in FY2022(prov) as against Rs.79.35 Cr in FY2021. The operating margin of the firm stood at 12.92 percent in FY2022(prov) as against 8.17 percent in FY2021. The PAT margin also improved to 8.02 percent in FY2022(prov) as against 5.08 percent in FY2021. The company has a total unexecuted order book of Rs. 450 crore as on 31 Aug 2022 which is expected to be executed over the medium term. Acuité 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. 26.29 crore as on March 31, 2022 (Provisional) as against Rs.16.73 crore as on 31 March, 2021. The improvement in net worth is on account of accretion of profits to reserves. Total debt of the company stood at Rs.23.64 cr as on 31 March, 2022 (prov) as against Rs.3.27 Cr as on 31 March, 2021. Overall gearing (debt-equity) of the Company stood at 0.90 times as on 31 March 2022(prov) as against 0.20 times as on 31 March, 2021. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.44 times as on 31 March 2022(prov) as against 0.97 times as on 31 March, 2021. Debt protection metrics of the company is comfortable marked by interest coverage ratio of 9.68 times for FY2022(prov) as against 8.94 times for FY2021. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.48 times as on 31 March 2022(prov) as against 1.44 times as on 31 March, 2021.

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 108 days as on March 31, 2022 (Prov.) as against 119 days as on March 31, 2021. The debtor's days stood at 34 days as on March 31, 2022 (Provisional) as against 60 days as on March 31, 2021. The inventory days stood at 18 days as on March 31, 2022 (Provisional) as against 22 days as on March 31, 2020.

> 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 covenants

None

Liquidity Position Adequate

The company's liquidity profile is adequate marked by adequate net cash accruals against its maturing debt obligations. The firm generated cash accruals of Rs.11.25 Cr in FY2022(prov) and Rs.4.71 Cr in FY2021 against repayment obligations of Rs. 2-4 crore in the same period. The Company maintains unencumbered cash and bank balances of Rs. 2.44 crore as on March 31, 2022(prov). The current ratio of the company stood at 2.42 times as on March 31, 2022(prov) as against 1.74 times as on 31 March 2021.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	119.27	79.35
PAT	Rs. Cr.	9.56	4.03
PAT Margin	(%)	8.02	5.08
Total Debt/Tangible Net Worth	Times	0.90	0.20
PBDIT/Interest	Times	9.68	8.94

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

None

Any other information

None

Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Aug 2021	Bank Guarantee	Short Term	26.50	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	3.50	ACUITE BBB- Positive (Reaffirmed)
	Bank Guarantee	Short Term	18.50	ACUITE A3 (Reaffirmed)
	Secured Overdraft	Long Term	4.50	ACUITE BBB- Positive (Reaffirmed)
21 Sep 2020	Bank Guarantee	Short Term	21.50	ACUITE A3 (Reaffirmed)
	Secured Overdraft	Long Term	1.00	ACUITE BBB- Positive (Reaffirmed)
	Bank Guarantee	Short Term	11.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	3.50	ACUITE BBB- Positive (Reaffirmed)
19 Aug 2019	Proposed Bank Guarantee	Short Term	10.50	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	11.50	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	2.50	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	2.50	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	26.50	ACUITE A3 Reaffirmed & Withdrawn
Axis Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	18.50	ACUITE A3 Reaffirmed & Withdrawn
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BBB- Reaffirmed & Withdrawn
Axis Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BBB- Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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