

Press Release

Aps Hydro Private Limited

October 03, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	ACUITE BB/ Outlook: Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 30.00 crore bank facilities of APS HYDRO PRIVATE LIMITED (APSHPL). The outlook is '**Stable**'.

Delhi-based, APS Hydro Private Limited was incorporated in 2003 and is engaged in civil construction. The company has completed hydroelectric projects in the past and subsequently started construction activities such as construction of roads and highways in the states of Uttarakhand, Mizoram, Andhra Pradesh to name a few. Mr. Sanjeev Kumar and Mr. Davendar Singh are the current directors of the company. The business is tender-based and the company is an authorized contractor for NPCC, NHPC, SRK Construction & Projects Private Limited to name a few. APSHPL is registered as a sub-contractor under Category 'B' for CPWD as well.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of APSHPL to arrive at this rating.

Key Rating Drivers

Strengths

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

APSHPL was incorporated in the year 2003. Mr. Sanjeev Kumar (Director) and Mr. Davendar Singh (Director) have an experience of over two and a half decades each in the aforementioned line of business. The established track record of operations and experience of management have helped the company to develop healthy relationships with its clientele and suppliers. Acuité believes that APSHPL will sustain its existing business risk profile backed by established track record of operations and experienced management.

- **Moderate financial risk profile**

APSHPL has a moderate financial risk profile marked by moderate net worth and moderate debt protection metrics. The net worth stood at Rs. 26.14 crore as on 31 March, 2019 (Provisional) as against Rs. 18.94 crore as on 31 March, 2018 due to healthy accretion to reserves. The gearing (debt-to-equity) stood at 1.15 times in FY19 (Provisional) as against 1.75 times in FY2018. Further, the interest coverage ratio stood at 6.76 times for FY2019 (Provisional) as compared to 5.32 times for FY2018. Total outside liabilities to total net worth (TOL/TNW) stood at 4.20 times as on 31 March, 2019(Provisional) as against 5.90 times as on 31 March, 2018. Acuité believes that the financial risk profile of the group is likely to remain moderate over the medium term, on account of moderate net worth and debt protection metrics in absence of any major debt funded capex.

Weaknesses

- **Working capital intensive nature of operations**

The company's operations are working capital intensive in nature as reflected in Gross Current Assets (GCA) of 222 days in FY2019(Provisional) as against 246 days in FY2018. GCA days remained high due

to high creditors' repayment period and high debtors' collection period. However, the average cash credit utilization for the past six months ended August 2019 stood at ~79 per cent. Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of the creditors' repayment period and the credit given to its customers.

• Highly competitive and fragmented nature of industry

The company is operating in a highly competitive and fragmented industry with large number of players present in the market, which limits the bargaining power of the company. However, the risk is mitigated to an extent on account of established track record of operations and experienced management.

Rating Sensitivities:

- Substantial reduction in GCA days to around 180 days.
- Stretch in working capital cycle leading to increase in working capital borrowings.

Material Covenants

None

Liquidity position: Adequate

The company has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 10.18 crore for FY2019 (Provisional), while its maturing debt obligations were Rs. 5.58 crore for the same period. The cash accruals of APSHPL are estimated to remain in the range of around Rs. 9.35 crore to Rs. 10.05 crore during 2020-22 against debt repayment obligations of Rs. 2.10 crore. The company's working capital operations are intensive marked by 222 gross current asset (GCA) days for FY2019 (Provisional). APSHPL maintains unencumbered cash and bank balances of Rs. 0.14 crore as on 31 March, 2019 (Provisional). The current ratio stands at 1.23 times as on 31 March, 2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain average over the medium term on account of high cash accrual against debt repayment obligations over the medium term.

Outlook: Stable

Acuité believes that APSHPL will maintain a 'Stable' outlook on account of experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case of significant improvement in working capital operations, while maintaining revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in scale of operations or profitability or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	185.00	154.47	133.84
EBITDA	Rs. Cr.	16.47	14.16	11.23
PAT	Rs. Cr.	7.19	5.59	4.77
EBITDA Margin	(%)	8.90	9.17	8.39
PAT Margin	(%)	3.89	3.62	3.57
ROCE	(%)	24.40	22.53	25.21
Total Debt/Tangible Net Worth	Times	1.15	1.75	2.43
PBDIT/Interest	Times	6.76	5.32	5.60
Total Debt/PBDIT	Times	1.83	2.34	2.87
Gross Current Assets (Days)	Days	222	246	150

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

Not Applicable

Any other information

None

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 (Up to 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	9.00	ACUITE BB/ Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4+ (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB/ Stable (Assigned)

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About Acuité Ratings & Research:

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