



Rating Rationale

A P Associates

23 May 2018

Brickwork Ratings assigns rating for the Bank Loan Facilities amounting to Rs. 18.70 Cr of A P Associates.

Particulars:

Facility	Limit Rated (Rs in Crs)	Tenure	Rating Assigned*
Fund Based Cash Credit	8.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus)
Fund Based Car Loan	0.20		
Fund Based Term Loan	0.50		
Non Fund Based- BG	10.00		
Total	18.70 (INR Eighteen Crores & Seventy Lakhs Only)		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of A P Associates (APA) up to FY17, projected financials upto FY20, publicly available information and information/clarifications provided by the company.

BWR's rating takes into account the long experience of the partners in executing infrastructure projects, APA's existing work orders in hand providing revenue visibility and its moderate financial risk profile indicated by comfortable debt protection metrics, gearing & profitability margins.

However, the rating is constrained by the modest scale of business, risks inherent in partnership constitution of the firm and exposure to risks related to the tender-based business.

Going forward, improvement in revenue with sustained operating margin will expectedly lead to healthy cash accrual and limited dependency on additional debt, thereby strengthening financial risk profile and liquidity. Such positive movements by the company shall be the key rating sensitivities in future.

23 May 2018



Key Rating Drivers:

Strengths:

- **High revenue visibility in short-medium term:** APA enjoys established relationships with government departments, which augurs well for the firm as the government's thrust on infra spending is increasing. APA has an existing order book of 64.50 Crores to be fulfilled in a year from now. While majority of these orders are from Public Works Department, the rest are the subcontracts from big road construction companies such as Gawar construction ltd. & Ashoka Buildcon.
- **Comfortable gearing & debt protection metrics:** Firm's total debt to tangible net worth stood comfortable at 0.20 times as on 31st March 2017. Further, the ISCR & DSCR were also comfortable at 10.01 times and 10.35 times respectively in the same financial year.

Weakness:

- **Modest Scale of business:** APA has a small scale of operations which is indicated by the modest topline of Rs 24.37 Crores in FY17 and small balance sheet size of the firm.
- **Risk associated with tender-based business:** Since operations are tender driven, topline depends on successful bidding. However, the same is mitigated by the revenue visibility of the firm.
- **Partnership Constitution of the business:** The business is exposed to the risks inherent in partnership constitution such as risk of capital withdrawal & partnership dissolution.

About the Firm:

A.P Associates (APA), set up in 2007 and later reconstituted in 2011, is a partnership firm and constructs roads majorly in Uttar Pradesh. The company's principal place of business is 55, Amba Enclave, Bulandshahr. Mr Ashok Sharma & Mr Pawan Kumar are the equal partners in the firm.

Rating Outlook: Stable

BWR believes that APA's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the firm registers significant growth in its revenues and increases its margins. The rating outlook may be revised to 'Negative' if it fails to increase its scale of operations.

Firm's Financial Performance:

The firm booked total operating income of Rs 24.37 Crores in FY17 as against Rs. 9.44 Crores in FY16. PAT stood at Rs 1.52 Crores in FY17 as compared to Rs 0.62 Crores in FY16.

Parameters	FY 2016(A) (Rs. in Crores)	FY 2017(A) (Rs. in Crores)
Total Operating Income	9.44	24.37
OPBDIT	1.06	2.65
PAT	0.68	1.52
Tangible Net Worth	6.28	6.29
Total Debt/TNW	0.00	0.20

Rating History for the last three years:

Rating in May 18				Rating History		
Facility	Limit Rated (Rs in Crs)	Tenure	Rating Assigned	2017	2016	2015
Fund Based Cash Credit	8.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus)	NA	NA	NA
Fund Based Car Loan	0.20					
Fund Based Term Loan	0.50					
Non Fund Based- BG	10.00					
Total	18.70 (INR Eighteen Crores & Seventy Lakhs Only)					

Status of non-cooperation with previous CRA: NA

Hyperlink/Reference to Applicable Criteria:



- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Service Sector](#)

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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