



## RATING RATIONALE

26Sep2019

AP Associates

### Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 18.21 Crores of A P Associates

#### Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (May, 2018)	Present
Fund based	8.70	8.21	Long Term	BWR BB-/Stable	BWR BB-/Stable
Non Fund Based	10.00	10.00			
<b>Total</b>	18.70	18.21	INR Eighteen Crores and Twenty One Lakhs Only		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

#### RATING ACTION / OUTLOOK

The rating action factors in inconsistent growth in revenues, declining profits and above average financial profile. The ratings continue to reflect the partners' experience in the business, established clientele and their low gearing. However, the rating strengths are offset by exposure to risks due to their tender based nature of business, the constitution of the firm and stretched liquidity.

BWR believes the **A P Associates'** 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 revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

## KEY RATING DRIVERS

- **Credit Strengths:**

A.P Associates (APA), set up in 2007 and later reconstituted in 2011, is a partnership firm. The firm has a vintage of 8 years while the partners of the firm, Mr Ashok Sharma & Mr Pawan Kumar, both have experience of over a decade in this line of business. Gearing increased from 0.20 to 0.44 times in FY18. The firm has no term loans and has minimal dependency on external borrowing. No capital withdrawal is observed. Since the profits were ploughed back into the firm, the net worth of the firm has increased to Rs. 7.35 Crs in FY18.

- **Credit Risks:**

The firm reported a decline in operating revenue from Rs. 24.37 Crs in FY17 to Rs. 22.47 Crs in FY18. Profits of the firm also declined from Rs. 1.52 Crs to Rs. 1.33 Crs in FY18. Despite the vintage of the firm, scale of operations is small. Low level of liquidity is observed with current ratio at 0.79 times. There is also an exposure to industry - related risks such as the ability to successfully bid tenders, delay in execution, slowdown in new order inflows and vulnerability of margins due to an adverse change in cost of raw materials, labor, etc.

## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone financials of Udayshivakumar. and has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

## RATING SENSITIVITIES

The firm's ability to efficiently execute the outstanding order book, timely completion, availability of bank guarantee limits and improvement of profitability margins will be the key rating sensitivities.

### Positive:

- Growth in Operating income
- Increase scale of operations
- Growth in Profits

**Negative:**

- Delays in receivables and payable realization
- Delay in project execution
- Increase in gearing
- Capital Withdrawal

**LIQUIDITY POSITION**

Current ratio was moderately low at 0.79 times as on March 31, 2018. Cash accruals are also low at Rs. 2.82 Crs bringing down the net cash accruals/total debt ratio to 0.70 times in FY18 as compared to 1.96 times in FY17. The firm reported net cash accruals/total debt at 0.86 times in FY19 on a provisional basis. Cash and cash equivalents were reported at Rs. 2.32 Crs in FY18 and Rs. 6.27 Crs in FY19 (Provisional).

**COMPANY PROFILE**

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 equal partners in the firm. Both the partners have more than 10 years of experience in the civil construction industry and are also associated with running other firms in the same line of business.

**KEY FINANCIAL INDICATORS (in ₹ Cr)**

Key Parameters	Units	FY18	FY17
Result Type		Audited	Audited
Revenue Receipts	Rs. Cr	22.47	24.37
EBITDA	Rs. Cr	2.52	2.65
PAT	Rs. Cr	1.33	1.52
Partner's Capital	Rs. Cr	7.35	6.29
Total Debt/Partner’s Capital	Times	0.44	0.20
Current Ratio	Times	0.79	1.30

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA**

## RATING HISTORY

Instrument / Facilities	Current Rating (2019)			Rating History	
	Tenure	Amount (₹ Cr)	Rating	26.08.19	23.05.18
Fund based	Long Term	8.21	<b>BWR BB-/Stable</b>	<b>Rating Not Reviewed</b>	<b>BWR BB-/Stable</b>
Non Fund Based		10.00			
Total		18.21	INR Eighteen Crores and Twenty One Lakhs Only		

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

## Hyperlink/Reference to applicable Criteria

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AP Associates

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
	<b>United Bank of India</b>	Cash Credit	8.00	0.00	8.00
		Term Loan	0.21	0.00	0.21
		Bank Guarantee	0.00	10.00	10.00
<b>TOTAL</b>					18.21

**Total Rupees Eighteen Crores and Twenty One Lakh only.**

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**About Brickwork Ratings** :Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



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