

## Rating Rationale

### Brickwork Ratings assigns 'BWR BB-' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 17 Cr of APC Drilling & Construction Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings**<sup>1</sup> for the Bank Loan Facilities of ₹ 17 Cr of APC Drilling & Construction Pvt Ltd Limited (*APCDCPL* or 'the company').

Facility (Existing)	Amount (₹ Cr)	Tenure	Rating
Fund Based Overdraft	12.00	Long term	<b>BWR BB-</b> (Pronounced BWR Double B Minus) <b>Outlook : Stable</b>
Non Fund Based Bank Guarantee	5.00	Short term	<b>BWR A4</b> (Pronounced BWR A Four)
<b>Total</b>	<b>17.00</b>	<b>(INR Seventeen Crores only)</b>	

BWR has principally relied upon the audited financial results up to FY14, provisional financials up to 31<sup>st</sup> Oct, 2014, publicly available information and information/clarifications provided by the company.

The ratings reflect the experienced management, medium term revenue visibility and sustained operating profit margins of the company. The ratings are, however, constrained by the company's medium scale of operations, high gearing and weak debt protection metrics and high intensity of competition from unorganized sector.

#### Background:

APC Drilling & Constructions was started as a partnership firm in the year 1999 with family members as Partners. The firm was into water drilling for more than 9 years. Since 2009, the firm has been diversified its operation into core and diamond drilling for mining companies and it has ventured with other companies for sampling & testing soil report. Company is currently headed by brothers Mr.A.Pari and Mr.A.Chandran.

The company has drilled near to about 500000 Sq.ft till date. On 6<sup>th</sup> June 2014, the partnership firm was reconstituted into a private limited company.

The company is fetching order from Government/Private auction. Company has skilled work force and the team includes adept engineers from Drilling, Hydraulics, and Mechanical engineering space along with helpers and field workers.

The strategy of APC Drilling focuses on Identifying, Exploring, Evaluating and acquiring mineral resource projects that have the ability to outline and define sustainable mineral resource for mine development in India and in other countries.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

Induction programs are conducted on a regular basis to train employees, drilling contractors, and others on site such that wastes are disposed appropriately. The crew members conduct a thorough research on the worksite taking into account the ecological factors along with health and safety of employees so as to avoid environmental damage.

### Management Profile:

APCDCPL is managed by Mr.A.Pari, and Mr.A. Chandran , both are well experienced in the drilling industry for more than 15 years.

### Financial Performance:

In FY14, the company made revenue of Rs 35 Crs compared to Rs.30.54 Crs in FY 13, Operating profit margin has improved from 21.80% to 23.50% in FY 14.

Net profit margin has improved from 5.53% to 7.31%. As per achieved results upto 31.10.14, the sales achieved is reported as Rs.14.68 Crs and profit of Rs.0.73 Crs.

Tangible networth of the company as on 31.3.14 is Rs. 7.65 Cr which has improved to Rs.23.36 Crs on 31.10.14.

### Rating Outlook

The outlook of the company is expected to be stable over the medium term. Going forward, the company's ability to execute the order book in a timely manner while sustaining profitability margins, ensure need based financial support from the promoters and achieve overall efficient working capital management will be the key rating sensitivity factors.

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