

Rating Rationale

Brickwork Ratings assigns 'BWR BB+' for the Bank Loan facilities aggregating ₹ 65 Cr of Action Bridgegap Constructions Pvt Ltd

Brickwork Ratings (BWR) has assigned the following **Rating¹** for Bank Loan Facilities of Action Bridgegap Constructions Pvt Ltd (*ABCPL* or *'the company'*).

Facility	Amount (₹ Cr)	Tenure	Rating
Cash Credit (Fund Based)	17.00	Long Term	BWR BB+ (BWR Double B Plus) Outlook: Stable
Bank Guarantee* (Non Fund Based)	48.00		
Total	65.00	(INR Sixty Five Crores only)	

* **Bank Guarantees are Long Term in nature.**

BWR has principally relied upon the audited financial results up to FY13, provisional financial performance for 9M FY14 projected financials up to FY15 of the company, publicly available information and information/clarifications provided by the company.

The rating draws strength from the extensive industry experience of the promoters, adequate revenue visibility backed by healthy order book position, moderate business risk profile marked by improving operating efficiencies, adequate liquidity and moderate debt protection metrics. These rating strengths are partially offset by the uncertainty in revenue streams emanating from the cyclical nature of business, risks relating to the tender based operations and delayed payments due to dependence on Government contracts and geographical concentration, mainly in North India.

Background:

Incorporated in 2008 at New Delhi, Action Bridgegap Constructions Private Limited (ABCPL), undertakes Government construction projects either as the Prime/EPC Contractor or as a sub-contractor to other Private companies. In the initial years due to low credentials, the company used to take up contracts majorly as a sub-contractor but now the company is focussing on positioning itself as an EPC contractor and will be directly bidding for state, NHAI projects either independently or through Joint ventures (JV). ABCPL takes up projects in Punjab, Haryana, MP and Delhi.

The company currently has orders under implementation worth around Rs.204 Cr and expects fresh orders of around Rs.175 Cr over the next two-three months.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

ABCPL belongs to the Action Group which has a diversified presence in areas such as footwear, steel, Chemicals & Plasticizers, Computer monitor & Peripherals, Housing and Healthcare.

Management:

The shareholders are Mr. Tarun Aggarwal, Mr. Jagdish Kumar Gupta and Mrs. Shanti Devi holding 59.79%, 28.45% and 13.90% shares in the company. Both Mr. Jagdish Gupta and Mrs. Shanti Devi are not involved in the operations of the company. Mr. Tarun Aggarwal, his brother Mr. Varun Aggarwal and his father Mr. Subhash Chander Aggarwal serve as directors on the board of the company. The directors are very well supported by a professional management team.

Financial Highlights:

ABCPL recorded Net Revenue of Rs.98.56 Cr for FY 13 as against Rs.75.17 Cr in FY12 . Operating Margin was 13.37% and PAT Margin was 1.46% in FY13 as against 11.64% and 0.91% respectively in FY12. Tangible Net Worth decreased from Rs.23.99 Cr as on March 31, 2012 to Rs.22.74 Cr as on March 31, 2013, on account of refund of some of the share application money. Debt-to-Equity of ABCPL was 3.17 times and the Current ratio was 1.93times as on March 31, 2013 as against a Debt-to-Equity of 2.76 times and Current ratio of 1.61times as on March 31, 2012.

On a provisional basis, ABCPL has reported Net Revenue of Rs. 103 Cr for 11 M FY14 (April-February) with a PAT margin of 1.62%. ABCPL had projected a revenue of approx. Rs.104 Cr for FY14.

Rating Outlook:

The outlook of the company is expected to be stable over the next twelve months. The ability of the company to achieve the targeted revenue and order book growth, effectively execute its projects in a timely manner, establish itself as an EPC contractor, improve its profitability and credit profile and achieve geographical and customer diversification in its revenue profile shall remain the key monitorables.

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