

RATING RATIONALE

11 Nov 2019

APC Drilling & Construction Pvt Ltd

Brickwork Ratings downgrades the long term rating and reaffirms the short term rating of bank loan facilities of Rs. 25.00 Crs of APC Drilling & Construction Pvt Ltd.

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (August, 2018)	Present
Fund based Overdraft	12.00	12.00	Long Term	BWR BB+ (Stable) Upgraded	BWR BB- (Stable) Downgraded
Non Fund Based Bank Guarantee	10.00	13.00	Short Term	BWR A4 Reaffirmed	BWR A4 Reaffirmed
Total	22.00	25.00	INR Twenty Five Crores Only		

*Please refer to BWR website 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 revision inter-alia factors the company having registered net loss (PAT) of Rs. -14.57 Crs i.e., loan given to their 100% subsidiary M/S.APC Drilling Private Limited now written off in FY19 (Audited), negative debt protection metrics (DSCR), negative net profit margins along with stretched working capital cycle. Company has been assigned a stable outlook based on adequate levels of operating margins maintained, consistency in solvency indicators and adequate gearing ratio.



BWR believes that the APC Drilling & Construction Pvt Ltd.'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 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

The key rating drivers of the firm are as follows:

Credit Strengths:

- **Management Experience :** Mr. A Pari and Mr. A Chandran , two directors, have an experience of more than two decades in the same line of business. The company has long standing relationship with customers viz. Central Mine Planning & Design Institute Limited (CMPDI) , Gujarat Mineral Development Corporation (GMDC) etc.
- **Moderate Gearing ratio:** Gearing ratio is at moderate levels at 0.89 times in FY19 (Audited).
- **Continuous order under pipeline offering revenue visibility:** The Company's order position is Rs. 50 Crs (from Central Mine Planning & Design Institute Limited -CMPDI) in hand in FY20 indicating medium term revenue visibility. The company has been getting orders from both government and private organizations due to its long standing relations with its customers.



Credit Risks:

- Tender based nature of operations : The company is exposed to tender based risk as the company bids in auction from both private and Government organizations.
- Customer concentration risk : 70% of the company's sales is from Central Mine Planning & Design Institute Limited (CMPDI).
- Working Capital Intensive nature of operations and Stretched Liquidity : The company has a long and stressed working capital requirement which is reflected by long conversion cycle of 213 days in FY19 (Audited) and high receivables of 256 days in FY19 (Audited).
- Tangible Networth : The Networth of the Company has decreased substantially and stood at Rs. 25.02 Crs in FY19 (Audited) as compared to Rs.39.58 Crs in FY18 (Audited) due to writing off the loan given to their 100% subsidiary company APC Drilling Private Ltd in FY19.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyper links provided at the end of this rationale).

RATING SENSITIVITIES

The ability of the company to improve its margins, scale of operations, working capital cycle, gearing, along with maintaining its overall financial risk profile would be its key rating sensitivity.

Positive: The ratings may be upgraded in case revenue, profitability, liquidity and capital structure of the company show significant improvement.

Negative: The rating may be downgraded in case there is a significant deterioration in business and financial risk profile of the company.

LIQUIDITY POSITION

Current ratio was moderate at 1.59 times as on March 31, 2019 (Audited). Cash accruals have declined substantially and stood at Rs.-12.49 Crs in FY19 (Audited) resulting in a decline in the net cash accruals/total debt ratio to -0.56 times in FY19 (Audited).

COMPANY PROFILE

APC Drilling & Constructions Pvt Ltd, located in Namakkal (Tamil Nadu), was started as a partnership firm in the year 1999 with other family members and was engaged in water drilling for more than 9 years. The firm, since 2009, has diversified its operation into core and diamond drilling for mining companies and also ventured with other companies for sampling & testing soil report.

In June 2014, the partnership firm was reconstituted into a private limited company. The company is fetching orders from Government/Private sector. It is currently managed by brothers Mr. A Pari and Mr. A Chandran, two directors of the company. Company has skilled work force and the team includes engineers from Drilling, Hydraulics, and Mechanical engineering space along with helpers and field workers. Services provided by APC Drilling and Construction Pvt Ltd are Diamond Core drilling , Sonic Drilling , DTH Drilling , RC Drilling ,Gold and Chromite .

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Operating Revenue	₹ Cr	39.14	37.23
EBITDA	₹ Cr	12.78	7.39
PAT	₹ Cr	(14.57)	1.59
Tangible Net worth	₹ Cr	25.00	39.57
Total Debt/Tangible Net worth	Times	0.89	0.63
Current Ratio	Times	1.59	1.49

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : Nil

RATING HISTORY

Instrument / Facilities	Current Rating (2019)			Rating History			
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating (2019)	August, 2018	June,2017	June,2016	January, 2015
Fund based Overdraft	Long Term	12.00	BWR BB- (Stable) Downgraded	BWR BB+ (Stable) Upgraded	BWR BB (Stable) Reaffirmed	BWR BB (Stable) Upgraded	BWR BB- (Stable)
Non Fund Based Bank Guarantee	Short Term	13.00	BWR A4 Reaffirmed	BWR A4 Reaffirmed	BWR A4 Reaffirmed	BWR A4 Reaffirmed	BWR A4
Total		25.00	INR Twenty Five Crores Only				

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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

Analytical Contacts	Investor and Media Relations
<p>AKILA M Rating Analyst B: +91 044 2466 3326 akila.m@brickworkratings.com</p> <p>R VARADARAJAN Associate Director - Ratings B: +91 044 2466 3326 varadarajan.r@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>

**APC Drilling & Construction Pvt Ltd.
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)
1.	Tamilnad Mercantile Bank Ltd.	Overdraft	12.00	0.00	12.00
		Bank Guarantee	0.00	13.00	13.00
TOTAL					25.00

Total Rupees Twenty Five Crores only.



For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings:

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empanelled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empanelled 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.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reason.