

Rating Report

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 **Ratings**¹ for the Bank Loan Facilities of Action Bridgegap Constructions Pvt Ltd (*ABCPL or 'the company'*).

Facility	Limit (₹ 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 upto 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.

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

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.

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.

Operations:

These EPC contracts are tender based wherein all interested parties bid for the project and the one with the lowest bid gets the contract.

All the contracts contain an escalation clause for both time and cost overruns. If there is any increase in the prices of the materials to be used for the project then the escalation clause can be exercised to claim for the additional cost.

At times external factors like land clearances, water clearances or moving the electric poles, heavy rainfall, ban on aggregate mining and other local problems cause time overruns in the projects and accordingly the Government departments are requested to increase the allotted time as per the escalation clause. If there are no delays in the completion of the projects other than the external factors then the actual date of completion becomes the acceptable date of completion of the project and no penalty is charged.

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.

Key Rating Determinants:

Experienced & Professional Management: The company is managed by a team of qualified and experienced management. All the members have previously worked for several years on various construction (EPC & BOT) projects. The management team brings the required amount of experience and understanding of the business.

Healthy Revenue Visibility: The company has healthy revenue visibility of at least Rs. 379 Cr from orders under implementation and fresh orders which are expected to come over the next few months.

Average Financial Risk Profile: The overall financial risk profile of ABCPL is moderate with improvement in the Operating Margin from 11.64% in FY12 to 13.37% in FY13. The liquidity position of the company is also adequate as reflected by a current ratio of 1.93 times and the cash conversion cycle of 65 days for FY13. However, an ISCR of 1.77 times in FY13 reflects moderate debt protection which is an area of improvement.

Tender Based Operations: All the EPC contracts are tender based which results into uncertainty in terms of gaining the project. Due to this factor, the revenue stream is expected to remain volatile in the future. However, once the company is able to establish itself and gain credibility in the field, this risk can be reduced.

Dependence on Government Projects: Earlier ABCPL used to work majorly as a subcontractor for private entities but now that the company wants to establish itself as an EPC contractor it will primarily have to deal with Government institutions. This increased dependency on Government contracts may result into delayed payments from such entities which can cause liquidity issues for ABCPL.

Geographical Concentration: ABCPL majorly takes up contracts in Punjab, Haryana and Delhi region. Therefore, the revenue stream only comes from North India. In order to diversify this risk, ABCPL should expand its geographical reach to other parts of India as well. This will also help in increasing the scale of operations of the company.

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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Action Bridgegap Constructions Pvt. Ltd.
Annexure I – Profit & Loss Account Summary

Profit and Loss Account (Rs. Crs)	FY 2011 (A)	FY 2012 (A)	FY 2013 (A)
Net Sales	26.15	75.17	98.56
Other Operating Income	0.60	0.19	0.00
Total Operating Income	26.75	75.36	98.56
Cost of Goods Sold	22.64	64.27	82.44
S, G & Admin expenses	1.60	2.31	2.93
Operating Expenses	24.24	66.59	85.38
OPBDIT	2.51	8.77	13.18
Depreciation/Amortization/Impairment	1.37	3.17	3.87
OPBIT	1.13	5.60	9.31
Interest and Finance Charges	0.97	4.78	7.46
OPBT	0.17	0.82	1.85
Non Operating Income(Expenses)	0.05	0.22	0.32
PBT	0.21	1.03	2.17
Provision for Taxes	0.11	0.35	0.73
PAT	0.10	0.69	1.44

Action Bridgegap Constructions Pvt Ltd

Annexure II – Balance Sheet Details

LIABILITIES (Rs. Crs)	FY 2011 (A)	FY 2012 (A)	FY 2013 (A)
Equity and Reserves	17.35	24.01	22.76
Share capital	1.00	3.08	4.68
Share Application money Pending allotment	0.00	14.78	10.50
Reserves and Surplus	16.35	6.15	7.58
Non-current liabilities	9.75	34.89	47.03
Long-Term Borrowings	9.62	34.62	46.79
Deferred tax Liabilities (Net)	0.14	0.28	0.24
Current liabilities	22.75	55.43	49.98
Short-Term Borrowings	14.50	24.54	22.68
Current Portion Of Long Term Debt	0.97	7.05	2.57
Trade Payables	5.38	15.44	14.49
Other Current Liabilities	1.72	7.55	6.93
Short-Term Provisions	0.18	0.84	3.31
Total Liabilities	49.85	114.33	119.77
ASSETS	-	-	-
Non-current assets	14.25	25.15	23.30
Net Fixed assets	14.21	25.04	22.29
Other Non Current Assets	0.04	0.12	1.02
Current assets	35.60	89.18	96.47
Inventories	25.59	20.92	30.18
Trade Receivables < Six Months	0.02	24.50	35.29
Cash and Cash Equivalent	0.38	1.38	2.17
Short-Term Loans and Advances & Other Current Assets	9.61	42.38	28.83
Total Assets	49.85	114.33	119.77