

## Rating Report

### Brickwork Ratings assigns 'BWR B' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 8 Cr of Apex Construction Firm

Brickwork Ratings (BWR) has assigned the following **Ratings**<sup>1</sup> for the Bank Loan Facilities of Apex Construction Firm (*ACC or "the firm"*).

Facility	Amount (₹ Cr)	Tenure	Ratings
<b>Fund Based</b> Cash Credit	1.00	Long Term	<b>BWR B</b> <b>Outlook : Stable</b>
<b>Non Fund Based</b> Bank Guarantee	7.00	Short Term	<b>BWR A4</b> (Pronounced BWR A Four)
<b>Total</b>	<b>8.00</b>	<b>(INR Eight Crores only)</b>	

BWR has relied upon the audited financial statements upto FY13, provisional financial statements of FY14, projected financial statement of FY15 and publicly available information and information/clarifications provided by the concern's management.

The ratings, draw strength from the extensive experience of the partners in the construction industry, infusion of equity by the partners which exhibits their confidence in the business, moderate debt protection metrics, moderate financial risk profile on account of low long term borrowings and achieved estimated turnover of ₹ 9 Cr for the period April-June 2014 for FY15. Moreover firm has major receipt from M/s HSCC Ltd & M/s Rites Ltd. Firm also expects large orders from both the institutions.

The rating, is however, constrained by intense competition from other government contractors bidding for similar contracts, constitution of the firm i.e. partnership, small scale of operations marked by low tangible net worth, weak order book position and high geographical and customer concentration risk.

#### Background:

Apex Construction Firm is a partnership firm that was established on April 25<sup>th</sup> 2001 by Mr. Ramesh Aggarwal and Mr. Bharat Aggarwal. The firm is a government contractor in Delhi and its neighbouring states and is involved in carrying out all kinds of civil and Mechanical Works.

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

The main clients of the firm are RITES, All India Institute of Medical Sciences (AIIMS) and Government of Punjab. The firm has currently three projects in hand with the total contract value of ₹ 88.05 Cr. Two of these contracts are with Rites for construction of Auditorium Block and Additional Floor on Lab Building at Inter-University Accelerator Center and for construction of Delhi Police Housing in Rohini, Delhi. The firm has recently completed two projects with minor delays which involved Construction of Dining Block at AIIMS with a contract price of ₹ 12.00 Cr and construction of Advanced Cancer Diagnostic, Treatment and Research Center for Government of Punjab with a contract value of ₹ 28.03 Cr.

### Financial Performance:

The revenues from operations increased by 68% in FY13 from ₹ 12.87 Cr in FY12 to ₹ 21.71 Cr in FY13. However, it is still below the revenue levels of ₹ 37.76 Cr in FY11. The growth in revenue of 68% was on account of 4 projects that were awarded at the start of FY13. Operating profit margin increased marginally from 7.99% in FY12 to 8.31% in FY13 due to decrease in manufacturing expenses and labour cost. However, the net profit margin decreased from 6.04% in FY12 to 5.22% in FY13 on account of increase in interest cost due to higher working capital requirements. The tangible net worth of the firm stood at ₹ 5.29 Cr on 31<sup>st</sup> March 2013, which increased from ₹ 1.57 Cr on 31<sup>st</sup> March 2012 due to equity infusion by the partners and plough back of profits. Debt to equity worsened, however it is still at a comfortable level, from 0.43 times in FY12 to 1.02 times in FY13, due to increase in working capital requirements led by increase in construction activity. The firm has moderate debt protection metrics as reflected in the interest coverage ratio of 3.02 times in FY13.

### Rating Outlook:

The ability of the firm to scale up operations by successfully bidding for new projects, sustaining their capital structure with consistent growth and effectively managing working capital requirements remain key rating sensitivities.

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**Apex Construction Company  
Profit And Loss:**

<b>₹ Crores</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Result Type</b>	Audited	Audited	Audited
Gross Sales	37.76	12.87	21.71
<b>Net Sales</b>	<b>37.76</b>	<b>12.87</b>	<b>21.71</b>
<b>Total Operating Income</b>	<b>37.76</b>	<b>12.87</b>	<b>21.71</b>
<b>Operating Expenses</b>	<b>35.57</b>	<b>11.84</b>	<b>19.91</b>
<b>OPBDIT</b>	<b>2.19</b>	<b>1.03</b>	<b>1.80</b>
Depreciation/Amortization/Impairment	0.29	0.37	0.45
<b>OPBIT</b>	<b>1.90</b>	<b>0.65</b>	<b>1.36</b>
Interest and Finance Charges	0.06	0.10	0.60
<b>OPBT</b>	<b>1.84</b>	<b>0.55</b>	<b>0.76</b>
Non-Operating Income(Expenses)	0.06	0.23	0.37
<b>PBT</b>	<b>1.91</b>	<b>0.78</b>	<b>1.13</b>
<b>PAT</b>	<b>1.91</b>	<b>0.78</b>	<b>1.13</b>

**Apex Construction Company  
Balance Sheet:**

₹ Crores	FY 2011	FY 2012	FY 2013
<b>Liabilities</b>	Audited	Audited	Audited
<b>EQUITY AND RESERVES</b>	<b>2.24</b>	<b>3.61</b>	<b>5.29</b>
Share capital	0.33	2.83	4.16
Reserves and Surplus	1.91	0.78	1.13
Non-current liabilities	0.61	1.57	1.99
Long-Term Borrowings	0.61	1.57	1.99
Current liabilities	14.48	7.50	11.38
Short-Term Borrowings	5.22	0.00	3.40
Trade Payables	6.57	6.49	7.85
Other Current Liabilities	2.68	1.00	0.12
Short-Term Provisions	0.02	0.00	0.01
<b>Total Liabilities</b>	<b>17.34</b>	<b>12.67</b>	<b>18.66</b>
<b>ASSETS</b>			
Non-current assets	1.43	2.58	2.64
Net Fixed assets	1.43	2.58	2.64
Current assets	15.90	10.09	16.02
Current Investments	1.05	0.00	0.00
Inventories	0.41	0.33	4.65
Trade Receivables < Six Months	9.06	1.83	4.04
Cash and Cash Equivalents	1.82	0.97	0.01
Short-Term Loans and Advances	2.79	6.67	3.61
Other Current Assets	0.77	0.29	3.71
<b>Total Assets</b>	<b>17.34</b>	<b>12.67</b>	<b>18.66</b>