



Press Release

Apex Tarmac Private Limited

April 20, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	30.00	IVR BBB-; Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	100.00	IVR A3 (IVR A Three)	Assigned	Simple
Total	130.00 (One Hundred and Thirty Crore)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Apex Tarmac Private Limited (ATPL) draws comfort from its established track record of operations under experienced promoters. The rating also considers healthy order book along with reputed clientele and comfortable capital structure with healthy debt protection metrics. However, these rating strengths are partially offset by its fluctuating profitability margins and inherent cyclical trends associated with the construction sector.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure resulting in further improvement of the financial risk profile.

Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.



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- Any further significant rise in working capital intensity or unplanned capex leading to deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and established track of record

ATPL has an operational track record from 2011. The company is promoted by Mr. Usmanbhai Suleman Bavan and Javed Ganibhai Tambadia. The promoters of company has over two decades experience construction industry. ATPL will continue to benefit from long experience of the management and well-established relationship with their key suppliers and customers.

Healthy order book along with reputed clientele

The company has unexecuted order book of Rs.280.89 crore as of February 2022, which provides revenue visibility for next 10-18 months. The ability of the company to successfully bid for orders and timely execution of orders while maintaining profitability remain a key monitorable. Further, the company has established clientele base with well-known companies such as National Highways Authority of India, Airports Authority of India, NPCIL etc.

Comfortable capital structure with healthy debt protection metrics

The overall gearing remained comfortable at 0.38x in FY21, as against 0.42x in FY20. The adjusted tangible net worth stood healthy at of Rs 87.45 crore as on March 31, 2021, as against Rs 83.50 crore in the previous year. Further, total indebtedness of the company as reflected by TOL/ATNW remained comfortable at 1.62x in FY21, as against 1.62x in FY20. The debt protection metrics are comfortable and above unity, with interest coverage ratio at 2.89x in FY21 as against 3.17x in FY20 and DSCR at 1.32x in FY21 as against 1.21x in FY20.



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Key Rating Weaknesses

Fluctuating profitability margins

The profitability of the company in terms of PAT margin has declined from 4.52% in FY20 to 4.20% in FY21. Further, EBITDA margin has improved marginally from 9.75% in FY20 to 9.81% in FY21. This increase is due decrease in direct expenses and admin expenses.

Inherent cyclical trends associated with the construction sector

The construction sector continues to witness cyclical trends consistent with its inherent nature, notwithstanding a stable outlook for the sector in the long term. The sector has been tainted by varied challenges over the past few years on account of economic slowdown, Covid-19, regulatory changes and policy paralysis, which had adversely impacted the financial and liquidity profile of players in the industry. The focus of the government on infrastructure development is expected to translate into business potential for the construction industry in the long-run.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

Liquidity –Adequate

ATPL has generated a gross cash accrual of Rs.9.38 crore in FY21 against the debt repayment obligations of Rs.5.76 crore. Further, the company's liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY22. The current ratio of the company remained comfortable at 1.51x as on March 31, 2021. However, the average utilization of fund-based bank limits remained high at ~62% during the past 12 months ended February 2022 indicating sufficient buffer to meet incremental requirements. The company has adequate cash and cash equivalents amounting to Rs.9.94 crore as on March 31, 2021. All these factors reflect adequate liquidity position of the company.



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About the Company

Apex Tarmac Private Limited (ATPL) was set up as a partnership firm, named M/s Apex Construction Company, in 1997. The firm was reconstituted as a private limited company with the current name in 2011. Managed and promoted by Mr. Gani Tambadia, Mr. Javed G. Tambadia and Mr. Usman Bavan. The company is engaged in improvement and strengthening work on existing roads and construction of new roads in Gujarat. The company has been registered as a Class AA contractor with the Public Works Department, Gujarat, since 2007, and as 'Category I contractor.

Financials (Standalone):

For the year ended*	INR in crore	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	179.70	160.52
EBITDA	17.53	15.74
PAT	5.95	4.93
Total Debt	35.36	33.09
Tangible Net worth	73.20	78.03
Adjusted Tangible Net worth	83.50	87.45
EBITDA Margin (%)	9.75	9.81
PAT Margin (%)	3.26	3.03
Overall Gearing Ratio (x)	0.42	0.38

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	30.00	IVR BBB- / Stable	-	-	-
2.	Bank Guarantee	Short Term	100.00	IVR A3	-	-	-



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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Cash Credit	-	-	Revolving	30.00	IVR BBB-/Stable
Short Term Bank Facility – Bank Guarantee	-	-	-	100.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

[Len-Apex-Tarmac-Apr22.pdf \(infomerics.com\)](#)

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.