



Press Release

Apollo Computing Laboratories Pvt. Ltd

December 10 , 2021

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities	57.00	IVR BB/Stable(IVR Double B with Stable Outlook)	Assigned
Short Term bank Facilities	28.00	IVR A4+ (IVR A Four Plus)	Assigned
Total	85.00 (Eighty Five Crores Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Apollo Computing laboratories Pvt. Ltd derives comfort from extensive experience of promoters and management. The rating also factors the long standing relationship with the reputed clientele, healthy order book position, diversification of revenue stream as the company has entered the medical equipment industry and a moderate financial risk profile with modest scale of operation, net-worth and gearing. The rating are constrained by the working capital intensive nature of operation reflected by a stretched conversion cycle, exposure to forex risk and the impact of Covid-19 on the core operation of the company.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability and debt protection metrics on a sustained basis along
- Sustenance/ Improvement in the capital structure
- Management of working capital requirements efficiently with improvement in liquidity position



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Downward Factors

- Moderation in scale of operations and/or profitability impacting the debt protection metrics on a sustained basis
- Moderation in Capital Structure
- Elongation in the operating cycle impacting the liquidity profile

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience and established track record of the promoters**

The company was established in 1995 and has an operational track record of almost 3 decades. The management led by Mr Jaipal Baddam Reddy, Managing Director, is well qualified and experienced in the industry. The extensive experience of the directors and their understanding of the dynamics of the industry is expected to continue to support the business risk profile.

- **Established relationships with reputed clientele**

Over the years, the company has fostered relationships with reputed clients and established a strong client base. The company has been getting repeat business from these clients on a sustained basis which has facilitated growth in its scale of operations. This also reflects favourably on the company's track record and technical expertise. The company primarily caters to the defence and aerospace sector and some of the key clients are Hindustan Aeronautics Ltd, Defence Research and Development Laboratory, Advance Systems Laboratory, Armament Research and Development Establishment etc. The company presently has orders of ~Rs 130 Crs on hand from the defence and aerospace sectors to be completed in the current financial year. The company has now entered the medical equipment industry by developing SwasthVayu - Non invasive ventilators with knowledge transfer from CSIR-NAL which are in demand for Covid treatment. The ability of the company to execute orders and ensure timely realisation of receivables will be a key monitorable.



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- **Moderate financial risk profile:**

Total revenue remains static from Rs 43.80 Crs in FY20 to Rs 43.53 Crs in FY21 while PAT increased from Rs 1.45 Crs in FY20 to Rs 1.75 Crs in FY21. On a provisional basis, the company has projected revenue of Rs 100.00 Crs and PAT of Rs 6.60 Crs in FY22 . Although the scale of operations has been increasing, it continues to be modest. The company's entry into the medical equipment industry is expected to increase the scale of operations going forward. Tangible Net Worth was Rs 36.07 Crs as on 31 Mar 2021 and gearing was comfortable at 1.37x times as on 31 Mar 2021. Net profit margin was 3.99% and EBITDA Margin was 19.41% in FY21

Key Rating Weaknesses

- **Customer concentration**

Top ten customers contribute to ~83% of total revenue in FY21. Further, in its order book, ~60% of unexecuted orders are from two parties, Advance System Laboratory and Hindustan Aeronautical Limited which indicates high concentration in its order book.

- **Working Capital intensive nature of operations:**

The operations of the company continue to be working capital intensive as reflected by a stretched working capital cycle of 534 days in FY21 as against 418 days in FY20. As the company primarily caters to the aerospace and defence sector, the lead time of the projects is usually long owing to the complexity of the products and strict quality checks that they have to go through. Hence, inventory holding period was high at 496 days in FY21 as against 371 days in FY20. Receivables are at 121 days in FY21 as against 141 days in FY20.

- **Forex Risk:**

The company imports certain raw materials such as microprocessors etc from USA, France, Israel etc.. However, the company has no specific mechanism to hedge forex risk and hence profitability is exposed to volatility in forex rates.



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- **Impact of Covid:**

Due to the lockdown, the manufacturing units of the company remained shut in Apr-May 2021 and operations resumed at full capacity from June 21. The company operates in an industry where production is subject to clearances from regulatory bodies at every stage. Due to the ongoing pandemic, there was a delay in getting the necessary clearances in Q1FY22 which slowed down the operations. Hence, the ability of the company to get required clearances in a timely manner, execute existing orders and ensure timely realization of receivables will be a key monitorable. Presently, sufficient raw material stock is maintained for all secured orders and hence the supply chain disruption has not led to any raw material shortage. However, any change in the regulatory policies with respect to imports may impact the company negatively as some of raw material is imported.

Analytical Approach: Standalone

Applicable Criteria :

Rating Methodology for Manufacturing Entities

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Stretched

The liquidity position of the company remained stressed mainly due to its elongated average collection period from various buyers. Further, a large part of its working capital remains blocked in earnest money deposits and retention money. The company generally takes mobilisation advance and depends on bank borrowings to fund its working capital requirements. Fund-based and Non-fund based working capital limits remained highly utilised at ~100% during the past 12 months ended Sep, 2021



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About the Company

ACL-Apollo Computing Laboratories (P) Ltd., established in 1992 at Hyderabad has been involved in the Manufacturing of Electronic Systems in the domain of embedded computing. The Projects have been successfully completed, qualified for Military standards and are functioning in the systems. These efforts have resulted in evolving a core competence in the embedded computing domain with the emphasis on engineering & quality assurance for meeting Military standards. Parallely, specialized products have been designed & developed by ACL in these areas and are being widely used in the Defence & Aerospace sectors.

The Company also provides Electronic Manufacturing services, Mechanical system services, Environmental test facility, Repair & re-work and component supply. The company is engaged in designing, development and production of Hi reliability custom built products mainly for airborne, land and naval system.

Financials (Standalone):

(Rs Crore)

For the Year Ended*/As on	31-03-2020	31-03-2021
	(Audited)	(Audited)
Total Operating Income	43.80	43.53
EBIDTA	8.15	8.45
PAT	1.45	1.75
Total Debt	28.69	37.02
Tangible Net Worth	34.26	36.07
EBIDTA Margin (%)	18.61	19.41
PAT Margin (%)	3.29	3.99
Overall Gearing Ratio (x)	0.84	1.03

- Classification as per Infomerics Standard

Status of non-cooperation with previous CRA : Brickwork Ratings in its press release dated Aug 31, 2021 has continued to place the rating of Apollo Computing Laboratories Pvt Ltd. under Issuer Not Cooperating category due to non-availability of information.



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Any other information: N.A

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 20-21	Date(s) & Rating(s) assigned in 19-20	Date(s) & Rating(s) assigned in 18-19
1.	Long Term Fund Based Bank Facilities - Cash Credit.	Long Term	26.00.	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)	-	-	-
2.	Long Term Fund Based Bank Facilities – Term loan.	Long Term	31.00	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)	-	-	-
3.	Short Term Non - Fund Based Bank Facilities – Bank Guarantee	Short Term	24.00	IVR A4+ (IVR A Four Plus)	-	-	-
4.	Short Term Non-Fund Based Bank Facilities	Short Term	4.00	IVR A4+ (IVR A Four Plus)	-	-	-



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	– Letter of Credit						

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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 Fund Based Bank Facilities - Cash Credit.	-	-	-	26.00	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)
Long Term Fund Based Bank Facilities - Term Loan			As Per Sanction Letter	31.00	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)
Short Term Non - Fund Based Bank Facilities - Bank Guarantee				24.00	IVR A4+ (IVR A Four Plus)
Short Term Non-Fund Based Bank Facilities - Letter of Credit				4.00	IVR A4+ (IVR A Four Plus)

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Apollo-Computing-lenders-dec21.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
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1.	Working capital (CC/WCDL)	Simple
2.	Bank Guarantee	Simple
3.	Term Loan	Simple
4.	Letter of Credit	Simple

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