



Press Release

Apollo Computing Laboratories Private Limited

June 11, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	27.29	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	IVR BB/ Negative/ Issuer Not Cooperating* (IVR Double B with Negative Outlook/ Issuer Not Cooperating)	Upgraded and moved out of Issuer not cooperating category	Simple
Short Term Bank Facilities	59.34	IVR A4+ (IVR A Four Plus)	IVR A4/ Issuer Not Cooperating* (IVR A Four/ Issuer Not Cooperating)	Upgraded and moved out of Issuer not cooperating category	Simple
Total	86.63	Rupees Eighty Six Crore and Sixty Three Lakh only			

* Issuer not cooperating; Based on best available information

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has upgraded the rating for long-term at IVR BB+ with stable outlook and the short-term rating at IVR A4+ for the bank loan facilities of Apollo Computing Laboratories Private Limited.

The rating assigned to the bank facilities of Apollo Computing Laboratories Private Limited (ACLPL) continue to draws comfort from its experienced promoter with Established relationships with reputed clientele with manufacturing base providing wide range of products, comfortable debt protection metrics and capital structure and satisfactory financial risk profile. However, these rating strengths are partially offset by working capital intensive nature of operations, Forex risk and need for constant technology upgrades.

IVR has principally relied on the standalone audited financial results of Apollo Computing Laboratories up to 31 March 2023 and management certified provisional results for FY24, projected financials for FY25 to FY27, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors



Press Release

- Significant and sustained growth in scale of business with sustenance of profitability margins thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability further impacting the debt coverage indicators.
- Any further significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced 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 with manufacturing base providing wide range of products

ACLPL is an established player with wide range of products in the healthcare, defence and aerospace, and rail segments. The company benefits from the management's understanding of the dynamics of the industry and established relationships with customers. 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 offering low counterparty risks. The ability of the company to execute orders and ensure timely realisation of receivables will be a key monitorable.

Comfortable debt protection metrics & capital structure



Press Release

The company has moderately leveraged capital structure in FY24 (prov.) as reflected by Overall Gearing ratio of 0.54x, as on March 31, 2024. Further the debt protection metrics of the company improved as indicated by interest coverage ratio and debt coverage ratio at 6.30x as on March 31, 2024 (1.81x as on March 31, 2023), and DSCR at 2.15x as on March 31, 2024 (0.84x as on March 31, 2023). Moreover, the total indebtedness as indicated by Total Outside Liabilities to Tangible Net worth ratio of 1.24x as on March 31, 2024 (Prov.).

Satisfactory financial risk profile

The financial risk profile of the company remained satisfactory with the moderate networth of Rs.71.30 Cr as on March 31, 2024 (Prov.) (March 2023: Rs.42.78 Cr). The overall gearing of the company stood at 0.54 times as on March 31, 2024 (prov.) (March 2023: 1.18 times). The improvement was due to decrease in the total debt levels. Interest coverage ratio improved to 6.30 times in FY24 (FY23:1.81 times). This was due to significant rise in EBITDA in absolute terms. TOL/TNW stood at 1.24 times as on March 31, 2024 (March 2023: 1.51 times). Going forward, the financial risk profile of the company expected to improve due to improvement in the overall business & operational profile.

Key Rating Weaknesses

Working Capital intensive nature of operations:

The operations of the company continue to be working capital intensive as reflected by an working capital cycle of 408 days in FY24 (prov.) as against 397 days in FY23. 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 must go through. Hence, the inventory holding period was high at 296 days in FY24 (prov.) as against 321 days in FY23. Receivables collection period deteriorated to 126 days in FY24 (prov.) as against 89 days in FY23.

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

Need for constant technology upgrades



Press Release

ACLPL operates in a domain that requires continuous research and development and technological upgrades as per changing customer needs. This makes maintaining profitability tough in an intensely competitive industry. Consistent facility upgrades as per demand requires regular capex and development expenses. Deterioration or underdeveloped facilities may impact the order taking capability of the business.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity –Adequate

The company has an adequate liquidity position. There are long-term secured borrowings from banks, amounting to Rs. 18.04 crore, as on 31 March 2024 (prov.). Against a current portion of long-term debt (CPLTD) of Rs 9.65 crore in FY2024, the company had a cash accrual of Rs. 29.30 crore in FY2024 (prov.). Further, the company liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY25-FY27. The overall working capital limits of the company are utilized to the extent of ~97.08% during the past 12 months ended April 2024 indicating minimal liquidity buffer. The current ratio reported by the company is 1.71x in FY24 and expected to improve during the projected period. With the adequate expected cash accruals against repayments, the liquidity position will remain adequate

About the Company

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



Press Release

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

Financials (Standalone):

(Rs. Crore)		
For the year ended*	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	51.05	65.53
EBITDA	9.41	13.57
PAT	2.15	4.53
Total Debt	51.64	50.43
Tangible Net worth	38.24	42.78
EBITDA Margin (%)	18.44	20.71
PAT Margin (%)	4.20	6.83
Overall Gearing Ratio (x)	1.35	1.18

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Brickwork vide press release dated September 04, 2023, has continued to classify the case under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (February 27, 2024)	Date(s) & Rating(s) assigned in 2022-23 (January 10, 2023)	Date(s) & Rating(s) assigned in 2021-22 (December 10, 2021)
1.	Fund Based	Long Term	27.29	IVR BB+/Stable	IVR BB/Negative/INC*	IVR BB/Stable	IVR BB/Stable
2.	Non Fund Based	Short Term	59.34	IVR A4+	IVR A4/INC*	IVR A4	IVR A4+

* Issuer not cooperating; Based on best available information



Press Release

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Press Release

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL	-	-	-	1.57	IVR BB+/ Stable
Term Loan	-	-	-	0.72	IVR BB+/ Stable
Cash Credit	-	-	-	25.00	IVR BB+/ Stable
Bank Guarantee	-	-	-	55.34	IVR A4+
Letter of Credit	-	-	-	4.00	IVR A4+

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-ApolloComputing-june24.pdf>

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.