



Press Release

Apex Tarmac Private Limited

July 11th, 2023

Ratings

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

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed the long term and short-term ratings of Apex Tarmac Private Limited (ATPL) at IVR BBB- with a Stable outlook and IVR A3 for the bank loan facilities.

The ratings have reaffirmed considering the 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 the 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.



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Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- 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 have 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.649.33 crore as of May 2023, 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 0.37x in FY23 (Prov.), as against 0.53x in FY22. The tangible net worth stood healthy at of Rs 92.43 crore as on March 31, 2023, as against Rs 82.19 crore in the previous year. Further, total indebtedness of the company as reflected by TOL/TNW remained comfortable at 1.21x in FY23 (Prov.), as against 1.68x in FY22. The debt protection metrics are comfortable and above unity, with interest coverage ratio at 2.83x in



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FY23 (Prov.) and DSCR at 2.32x in FY23 (Prov.).

Key Rating Weaknesses

Competitive nature of construction sector with tender-based nature of operations

ATPL is a mid-sized player operating in an intensely competitive construction industry with presence of large number of contractors. Furthermore, with low counterparty credit risk and a relatively stable payment track record of projects funded by government bodies and removal of bid-bond guarantee has resulted in intense competition. Moreover, aggressive bidding or delay in project progress due to unavailability of regulatory clearances are other external factors that affects the credit profile of industry players.

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](#)

[Criteria for assigning rating outlook](#)

Liquidity – Adequate



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ATPL has generated a gross cash accrual of Rs.7.60 crore in FY22 against the debt repayment obligations of Rs.2.14 crore. Further, the company's liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY23(Prov.). The current ratio of the company remained comfortable at 1.56x as on March 31, 2022. However, the average utilization of fund-based bank limits remained slightly high at ~72% during the past 6 months ended May 2023 indicating sufficient buffer to meet incremental requirements. The company has adequate cash and cash equivalents amounting to Rs.0.04 crore as on March 31, 2022. All these factors reflect adequate liquidity position of the company.

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* As on	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	138.15	248.13
EBITDA	11.11	17.90
PAT	4.01	10.25
Total Debt	43.25	34.56
Tangible Net worth*	82.19	92.43
EBITDA Margin (%)	8.04%	7.21%
PAT Margin (%)	2.86%	4.10%
Overall Gearing Ratio (x)	0.53x	0.37x

*as per Infomerics standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil



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Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 Dated: April 20 th , 2022	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Cash Credit	Long Term	30.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	-	-
2	Bank Guarantee	Short Term	100.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	-	-

Name and Contact Details of the Rating Analyst:

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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



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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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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 Facilities – Cash Credit				30.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)
Short Term Bank Facilities – Bank Guarantee				100.00	IVR A3 (IVR A Three)

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-apex-jul23.pdf>



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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

