

September 15, 2017

## APR Constructions Limited

### Summary of rated instruments

Instrument*	Rated Amount (in crore)	Rating Action
Fund-based Cash Credit	45.00	[ICRA]BB+ (Stable); ISSUER NOT CO-OPERATING*; Rating moved to the 'Issuer not co-operating' category
Non-fund based Bank Guarantee	162.50	[ICRA]A4+; ISSUER NOT CO-OPERATING*; Rating moved to the 'Issuer not co-operating' category
Unallocated	42.50	[ICRA]A4+; ISSUER NOT CO-OPERATING*; Rating moved to the 'Issuer not co-operating' category
<b>Total</b>	<b>250.00</b>	

\*Issuer did not co-operate; based on best available information.

^Instrument Details captured under Annexure-1

### Rating action

ICRA has moved the ratings for the Rs. 250.00 crore<sup>1</sup> bank facilities of APR Constructions Limited (APR)<sup>2</sup> to the 'Issuer not co-operating' category. The rating is now denoted as: "[ICRA] BB+ (Stable)/A4+; ISSUER NOT CO-OPERATING". The outlook on the long term rating is Stable.

### Rationale

As part of its process and in accordance with its rating agreement with APR, ICRA has been trying to seek information from the company so as to undertake a surveillance of the ratings, but despite repeated requests by ICRA, the company's management has remained non-cooperative. In the absence of requisite information, ICRA's Rating Committee has taken a rating view based on best available information. In line with SEBI's Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, the company's rating is now denoted as: "[ICRA]BB+ (Stable)/A4+ ISSUER NOT COOPERATING". The lenders, investors and other market participants may exercise appropriate caution while using this rating, given that it is based on limited or no updated information on the company's performance since the time it was last rated.

### Key rating drivers

#### Credit strengths

- **Established presence and healthy order book:** Established presence of the company with more than three decades of experience in execution of irrigation projects and healthy order book of Rs. 1,117 crore as on March 31, 2016 (7.05 times of operating income in FY 2016) which provides revenue visibility in the medium term

#### Credit challenges

- **De-growth in Operating Income (OI):** No fresh orders from April 2013 till December 2015 coupled with slow movement in existing orders has led to de-growth in operating income (OI) for three consecutive years at 16% Y-o-Y from Rs.264.37 crore in FY 2013 to around Rs. 160.00 crore in FY 2016.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

- **High working capital intensity:** APR's working capital intensity increased significantly from 50% in FY 2014 to 84% in FY 2016 due to rise in inventory levels and increase in retention money with the departments.
- **High sectoral and geographical concentration risks:** The company remains exposed to high sectoral and geographical concentration risks due to its presence largely in irrigation sector in Andhra Pradesh. Further, the project concentration risk is high with top five projects accounting for 55% of the order book.

#### **Analytical approach:**

For arriving at the ratings ICRA has applied its rating methodologies as indicated below.

#### **Links to applicable criteria:**

[Rating Methodology for Construction Entities](#)

[Policy on non-cooperation by rated entity](#)

#### **About the company:**

APR was set up as a partnership firm, A Prabhakara Reddy & Co, in 1980; the firm was re-constituted as a public limited company in December 2004 under the current name 'APR Constructions Limited' (APR). APR is a mid-sized player largely undertaking irrigation (dams, canals, spillways, reservoirs, Aqueducts and channels) and railway contracts (embankments, track laying, signaling, station linking, and connectivity) for central and state government clients.

#### **Key financial indicators (Audited)**

	<b>FY2014</b>	<b>FY2015</b>
Operating Income (Rs. crore)	215.71	181.71
PAT (Rs. crore)	28.01	6.80
OPBDIT/ OI (%)	12.2%	10.5%
RoCE (%)	26.6%	10.9%
Total Debt/ TNW (times)	0.87	0.55
Total Debt/ OPBDIT (times)	2.03	2.74
Interest coverage (times)	2.18	1.87
NWC/ OI (%)	50%	75%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years**
**Table**

S. No.	Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				September 2017	May 2016	-	December 2014
1	Cash Credit	Long Term	45.00	[ICRA]BB+ (Stable) ISSUER NOT CO-OPERATING*	[ICRA]BB+ (Stable)	-	[ICRA]BBB (Stable)
2	Term Loans	Short Term	162.50	[ICRA]A4+ ISSUER NOT CO-OPERATING*	[ICRA]A4+	-	[ICRA]A3+
3	Unallocated	Short Term	42.50	[ICRA]A4+ ISSUER NOT CO-OPERATING*	[ICRA]A4+	-	[ICRA]A3+

\*Issuer did not co-operate; based on best available information

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1**  
**Instrument Details**

<b>Instrument</b>	<b>Date of Issuance / Sanction</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Amount Rated (Rs. crore)</b>	<b>Current Rating and Outlook</b>
Cash Credit	-	-	-	45.00	[ICRA]BB+ (Stable) ISSUER NOT CO-OPERATING*
Bank Guarantee	-	-	-	162.50	[ICRA]A4+ ISSUER NOT CO-OPERATING*
Unallocated	-	-	-	42.50	[ICRA]A4+ ISSUER NOT CO-OPERATING*

Source: APR

\*Issuer did not co-operate; based on best available information

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About ICRA Limited:

**ICRA Limited** was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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