CRISIL Ratings

Rating Rationale

June 20, 2023 | Mumbai

Associated Power Structures Private Limited

Rating outlook revised to 'Negative'; Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.708.1 Crore**
Long Term Rating	**CRISIL A-/Negative (Outlook revised from 'Stable'; Rating Reaffirmed)**
Short Term Rating	**CRISIL A2+ (Reaffirmed)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has revised its outlook on the long-term bank facilities of Associated Power Structures Private Limited (APSPL) to **'Negative'** from 'Stable' while reaffirming the rating at '**CRISIL A-**'. The short term rating has been reaffirmed at 'CRISIL A2+'.

The revision in outlook reflects the deterioration in business risk profile of APSPL. The revenue of company declined from Rs 553 crore in FY21 to Rs 478 crore in FY22 and further deteriorated to Rs 417 crore in FY23 backed by delay in clearance leading to lower execution. Aside this, the operating margin estimated to decline from 12.20% in FY22 to 7.78% in FY23 due to inability to pass on fluctuated price on customers for certain orders. Through, order book position of company had strengthened from Rs 603 crore as of September 2022 to Rs 1091 crore as on April 2023, the ability to revive performance both in terms of revenue and operating margin will be key monitorable.

The ratings reflect the company's established track record in the transmission towers industry, moderate revenue visibility, and healthy financial risk profile. These strengths are partially offset by working capital-intensive operations and customer concentration in revenue.

Analytical Approach

Of the unsecured loans of Rs 10 crore from the partners, 75% has been treated as equity and the rest as debt as the loans are subordinate to bank debt, interest-free, and likely to be retained in the business.

Key Rating Drivers & Detailed Description

Strengths:

Track record of successful project completion, and moderate revenue visibility

The promoters' experience of over 2 decades in erecting transmission towers has helped develop strong execution capability and healthy relationships with clients. During fiscal 2022, APSPL clocked a turnover of Rs 417 crore falling by around 13% over previous year due to delay in clearance. Unexecuted order book of about Rs 1091 crore as on April 2023, should support revenue growth over the medium term. APSPL is approved by several state electricity boards and Power Grid Corporation of India Ltd (PGCIL).

Healthy financial risk profile

The financial risk profile should remain steady over the medium term in the absence of any debt-funded capital expenditure and backed by strong accrual. Networth and total outside liabilities to tangible networth ratio were robust at Rs 253 crore and 0.88 times, respectively, as on March 31, 2023. Debt protection metrics were adequate too, as indicated by net cash accrual to total debt ratio and interest coverage of 0.15 time and 1.27 times, respectively, in fiscal 2023.

Weakness:

Working capital-intensive operations

Gross current assets were high at 10 months as on March 31, 2023, because of margin money for bank guarantee, security deposit, and blockage of capital, and skewed revenue in the last quarter. Though payables have led to limited dependence on bank limit, working capital requirement is expected to remain large over the medium term.

Customer concentration in revenue

APSPL continues to generate significant revenue from top 5 of its customers leading to customer concentration risk. However, its customers like Gujarat Energy Transmission Company Ltd (GETCO) and Power Grid Corporation of India Ltd (PGCIL) have healthy credit risk profiles, and sales to Suzlon Energy Ltd are against letter of credit. Also, over last few years, APSPL has added customers such as MP Power Transmission Company Ltd, Jharkhand Urja Sancharan Nigam Ltd, Tamil Nadu Transmission Corporation Ltd, and booked orders overseas, thus diversifying revenue.

Liquidity: Adequate

Bank limit utilisation is moderate at around 82 percent of the sanctioned Rs 95 crore limits, over the past twelve months ended March 2023. Cash accruals are expected to around Rs 30-35 which shall be sufficient against meagre term debt obligation. In addition, it will be act as cushion to the liquidity of the company. Further, the company benefits from continued and steady cash inflows against the work done. Current ratio are healthy at 1.92 times on March 31, 2023. The promoters are likely to extend support in the form of equity and unsecured loans to meet its working capital requirements and repayment obligations. Low gearing and moderate net worth support it's financial flexibility, and provides the financial cushion available in case of any adverse conditions or downturn in the business.

Outlook: Negative

CRISIL Rating believes the business risk profile likely to remain under pressure over the medium term.

Rating Sensitivity Factors

Upward factors

- Revival in revenue to historic level with operating margin of 11-12%
- Improvement in the working capital cycle and reduced customer concentration in revenue

Downward factors

- Stretch in the working capital cycle with receivables level rising by 20% or delayed/lower than expected cash inflows constraining the liquidity.
- Continuously constrained scale of operations or any sharp moderation in debt protection measures.

About the Company

APSPL was established as a partnership firm (TAPS Engineers) by Mr Ajay Patel, Mr Satish Desai, and Mr Parag Kothari in 1986, and was reconstituted as a private limited company with the present name in 1996. It manufactures, fabricates, galvanises, and installs windmills and power transmission towers.

Key Financial Indicators

Particulars	Unit	2023	2022
Revenue	Rs.Crore	416.91	477.82
Profit After Tax (PAT)	Rs.Crore	3.14	22.95
PAT Margin	%	0.75	4.80
Adjusted debt/adjusted networth	Times	0.30	0.33
Interest coverage	Times	1.27	2.39

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned and outlook
NA	Bank Guarantee	NA	NA	NA	247.6	NA	CRISIL A2+
NA	Bank Guarantee^	NA	NA	NA	25.8	NA	CRISIL A2+
NA	Bank Guarantee&	NA	NA	NA	170.4	NA	CRISIL A2+
NA	Cash Credit	NA	NA	NA	85	NA	CRISIL A-/Negative
NA	Foreign Exchange Forward	NA	NA	NA	2.27	NA	CRISIL A2+
NA	Letter of Credit	NA	NA	NA	155	NA	CRISIL A2+
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	12.03	NA	CRISIL A2+
NA	Short Term Loan	NA	NA	NA	10	NA	CRISIL A2+

&Includes sublimit of Rs.30 crore of Inland Letter of credit
^Includes sublimit of letter of credit of Rs.13 crore

Annexure - Rating History for last 3 Years

	Current			2023 (History)		2022		2021		2020		Start of 2020
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST/LT	109.3	CRISIL A2+ / CRISIL A-/Negative		--	13-10-22	CRISIL A2+ / CRISIL A-/Stable	06-07-21	CRISIL A2+ / CRISIL A-/Stable	30-06-20	CRISIL A2+ / CRISIL A-/Stable	CRISIL A2+ / CRISIL A-/Stable
			--		--	30-09-22	CRISIL A2+ / CRISIL A-/Stable		--	08-05-20	CRISIL A2+ / CRISIL A-/Stable	--
Non-Fund Based Facilities	ST	598.8	CRISIL A2+		--	13-10-22	CRISIL A2+	06-07-21	CRISIL A2+	30-06-20	CRISIL A2+	CRISIL A2+
			--		--	30-09-22	CRISIL A2+		--	08-05-20	CRISIL A2+	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	80	Union Bank of India	CRISIL A2+
Bank Guarantee	35	IndusInd Bank Limited	CRISIL A2+
Bank Guarantee&	170.4	Bank of Baroda	CRISIL A2+
Bank Guarantee	12.5	Canara Bank	CRISIL A2+
Bank Guarantee	120.1	State Bank of India	CRISIL A2+
Bank Guarantee^	25.8	YES Bank Limited	CRISIL A2+
Cash Credit	25	Bank of Baroda	CRISIL A-/Negative
Cash Credit	12	Canara Bank	CRISIL A-/Negative
Cash Credit	46	State Bank of India	CRISIL A-/Negative
Cash Credit	2	YES Bank Limited	CRISIL A-/Negative
Foreign Exchange Forward	2.27	State Bank of India	CRISIL A2+
Letter of Credit	10	Union Bank of India	CRISIL A2+
Letter of Credit	45	IndusInd Bank Limited	CRISIL A2+
Letter of Credit	20	Bank of Baroda	CRISIL A2+
Letter of Credit	15	Canara Bank	CRISIL A2+
Letter of Credit	65	State Bank of India	CRISIL A2+
Proposed Fund-Based Bank Limits	12.03	Not Applicable	CRISIL A2+
Short Term Loan	10	DCB Bank Limited	CRISIL A2+

&Includes sublimit of Rs.30 crore of Inland Letter of credit
^Includes sublimit of letter of credit of Rs.13 crore.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufaturing and service sector companies
Rating Criteria for Power Distribution Utilities
Understanding CRISILs Ratings and Rating Scales

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