CRISIL Ratings

Rating Rationale

September 30, 2022 | Mumbai

Associated Power Structures Private Limited

Ratings reaffirmed at 'CRISIL A-/Stable/CRISIL A2+'

Rating Action

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

1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL A-/Stable/CRISIL A2+' ratings on the bank facilities of Associated Power Structures Private Limited (APSPL).

The ratings continue to 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 two 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 475 crore falling by around 14% over previous year amidst COVID-19 driven disruptions, lower clearance from counterparties and lower tender. Unexecuted order book of about Rs 603 crore as on September 2022, 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 243 crore and 1.16 times, respectively, as on March 31, 2022. Debt protection metrics were adequate too, as indicated by net cash accrual to total debt ratio and interest coverage of 0.35 time and 2.26 times, respectively, in fiscal 2022.

Weaknesses:

- **Working capital-intensive operations:** Gross current assets were high at 9-10 months as on March 31, 2022, 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 84 percent of the sanctioned Rs 95 crore limits, over the past twelve months ended July 2022. Cash accrual are expected to around Rs 31-40 crore which shall be sufficient against term debt obligation of Rs 2-3 crore in fiscal 2023. 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 1.71 times on March 31, 2022. 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: Stable

CRISIL Ratings believes APSPL will continue to benefit from the extensive experience of its promoters and its healthy revenue visibility.

Rating Sensitivity factors

Upward factors

- Increase in accrual by 25% along with steady capital structure and healthy order visibility
- 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	2022	2021
Revenue	Rs crore	475	551
Profit after tax (PAT)	Rs crore	23	29
PAT margin	%	4.8	5.2
Adjusted debt/adjusted networth	Times	0.3	0.5
Interest coverage	Times	2.3	2.5

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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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	378.80	NA	CRISIL A2+
NA	Bill Discounting	NA	NA	NA	125.23	NA	CRISIL A2+
NA	Cash Credit	NA	NA	NA	85.00	NA	CRISIL A-/Stable
NA	Letter of Credit	NA	NA	NA	119.07	NA	CRISIL A2+

Annexure - Rating History for last 3 Years

	Current			2022 (History)		2021		2020		2019		Start of 2019
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST/LT	210.23	CRISIL A2+ / CRISIL A-/Stable		--	06-07-21	CRISIL A2+ / CRISIL A-/Stable	30-06-20	CRISIL A2+ / CRISIL A-/Stable	16-10-19	CRISIL A2+ / CRISIL A-/Stable	CRISIL A2+ / CRISIL A-/Stable
			--		--		--	08-05-20	CRISIL A2+ / CRISIL A-/Stable	28-08-19	CRISIL A2+ / CRISIL A-/Stable	--
Non-Fund Based Facilities	ST	497.87	CRISIL A2+		--	06-07-21	CRISIL A2+	30-06-20	CRISIL A2+	16-10-19	CRISIL A2+	CRISIL A2+
			--		--		--	08-05-20	CRISIL A2+	28-08-19	CRISIL A2+	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	170.4	CRISIL A2+
Bank Guarantee	12.5	CRISIL A2+
Bank Guarantee	120.1	CRISIL A2+
Bank Guarantee	25.8	CRISIL A2+
Bank Guarantee	50	CRISIL A2+
Bill Discounting	125.23	CRISIL A2+

Cash Credit	**25**	**CRISIL A-/Stable**
Cash Credit	**12**	**CRISIL A-/Stable**
Cash Credit	**46**	**CRISIL A-/Stable**
Cash Credit	**2**	**CRISIL A-/Stable**
Letter of Credit	**20**	**CRISIL A2+**
Letter of Credit	**15**	**CRISIL A2+**
Letter of Credit	**65**	**CRISIL A2+**
Letter of Credit	**13**	**CRISIL A2+**
Letter of Credit	**6.07**	**CRISIL A2+**

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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