Press Release

Absolute Projects (India) Limited

Sept 02, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facility	12.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
2.	Short Term Bank Facilities	38.00	IVR A4+ (IVR A Four Plus)	Assigned
		50.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Absolute Projects (India) Limited continues to draw comfort from its long track record of operations with moderate size order book and comfortable financial risk profile. However, these rating strengths are partially offset by its medium scale of operations with modest debt protection metrics and working capital intensive operations. The rating also considers highly fragmented and competitive nature of the electrical contracting industry.

Key Rating Sensitivities:

Upward Factor:

- Sustained improvement in the scale of operations and/ or operating profitability
- Maintenance of capital structure and improvement in debt protection metrics

Downward factor:

- Deterioration in scale of operations and/or profitability
- Any large debt funded capital expenditure and/or further elongation of the working capital cycle leading to deterioration in the financial risk profile

List of Key Rating Drivers with Detailed Description

Key Rating Strength

Long track record of operations

APIL has been operational since 1995. Long track record of operations and extensive experience of promoters has helped the company to establish healthy relationship with both customers and suppliers.

Revenue visibility backed by moderate order book

APIL had an order book of ~ Rs.86crore as on June 30, 2021 (1.08x of its FY21 (Prov) revenue from turnkey projects) majority of which is to be executed within FY22 and thus provides healthy revenue visibility over the near term.

Comfortable financial risk profile

The capital structure of the company remained comfortable as reflected in overall gearing ratio of 0.36x as on March 31, 2021. The TOL/TNW ratio, though stood at 2.59x as on March 31, 2021 , has showed sustained improvement from 3.27x as on March 31, 2019 on the back of improvement in net worth driven by infusion of equity capital to the tune of Rs.1.51crore in FY21 along with accretion of profits to net worth.

Key Rating Weaknesses

Medium scale of operations

The Company has medium scale of operations as reflected in income of Rs.101.83crore from turnkey projects and sale of electrical goods, reported in FY21 (as per provisional financials). The income from turnkey projects and sale of electrical goods increased by 3.7% y-o-y, even though the operations of the Company were hit due to the COVID-19-led lockdown. In FY20, the income from turnkey projects and sale of electrical goods had deteriorated to Rs.98.19crore (FY19: Rs.204.91crore) due to Fani cyclone, which had hit the project site in National Thermal Power Corporation Limited, Puri, leading to complete closure for three months.

Modest debt protection metrics

The debt protection parameters of APIL remained modest with an interest coverage ratio of 1.47x and Total Debt/GCA of 5.74x in FY21.

Working capital intensive operations

The operating cycle of the Company remained elongated at 110 days as on March 31, 2021. The same has increased in the three years through FY21 on the back of an increase in debtor days. Though the debtor days improved marginally to 276 days as on March 31, 2021 (FY20: 291 days), however the impact was partially offset by the reduction in payable days to 211 days as on March 31, 2021 (FY20: 239 days)

Highly fragmented & competitive nature of the electrical contracting industry

The electrical contracting industry is highly crowded with presence of many players with varied statures & capabilities. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of concern for the sustenance and healthy growth of the industry.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

APIL has adequate liquidity marked by cash accruals of Rs.2.28 crore in FY21 as against repayment obligations of around Rs.1crore. Liquidity of the Company is also supported by financial support from promoters in the form of equity infusion and unencumbered cash and bank balance of Rs.3.84crore as on March 31, 2021. However, the Company’s operations are working capital intensive and the average maximum utilization of fund based working capital limits for twelve months through June 2021, stood at 96.06%. APIL also availed of Covid limits of Rs.2.85crore in FY21 to meets its short term liquidity requirement.

Overall liquidity position of the company is likely to remain adequate over the medium term marked by generation of adequate cash accruals as against repayment obligations and absence of any debt funded capex plan.

About the Company

Incorporated in 1995, Absolute Projects India Limited (APIL) executes projects on turnkey basis for erection and commissioning of substations, civil work for extension of switch yard and shifting of lines. The Company also carries out manufacturing of transmission line and cable accessories as well as tower & substation structure, earthing materials & stay sets at its manufacturing facilities located at Greater Noida and Roorkee.

The transmission line and cable accessories manufactured by the Company comprise of Insulating Piercing Connectors (IPC), power connectors, hardware fittings for disc insulators, flat type eye hooks for poles, PG Clamps, TEE Clamps among others. Also manufactured by APIL are Power Transmission Line Tower Structures, Sub-Station Structures, Stay Sets for HT/LT Poles with tension screws etc.

Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2020	31-03-2021
	Audited	Prov
Total Operating Income	103.72	101.83
EBITDA	3.87	5.86
PAT	1.34	1.90
Total Debt	12.10	13.08
Tangible Net worth	32.75	36.15
EBITDA Margin (%)	3.73	5.75
PAT Margin (%)	1.28	1.84
Overall Gearing Ratio (x)	0.37	0.36

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Issuer not cooperating by CRISIL vide press release dated June 11, 2021 due to non-availability of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	9.50	IVR BB+/Stable	-	-	-
2.	Covid loan	Long Term	2.50	IVR BB+/Stable	-	-	-
3.	Bank Guarantee	Short Term	38.00*	IVR A4+	-	-	-

*L.C of Rs 30.00 crore is sublimit of BG

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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	-	-	-	9.50	IVR BB+/Stable
Long Term Bank Facility- Covid loan	-	-	-	2.50	IVR BB+/Stable
Short Term Bank Facilities – Bank Guarantee*	-	-	-	38.00*	IVR A4+

*L.C of Rs 30.00 crore is sublimit of BG

Annexure-II: Facility Wise Lender Details

https://www.infomerics.com/admin/prfiles/Absolute-Projects-lenders-2sept21.pdf