

Press Release

Tantia Constructions Limited (TCL)

09 March, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 1145.29 Cr.
Long Term Rating	SMERA D (Reaffirmed)
Short Term Rating	SMERA D (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA D' (read as SMERA D)** and short term rating of '**SMERA D' (read as SMERA D)** on the Rs. 1145.29 crore bank facilities of Tantia Constructions Limited (TCL).

The Kolkata-based TCL, incorporated in December 1964, is the flagship company of the group. The company is engaged in construction of roads, railways, bridges, among others. Promoted by the Late Mr. G P Tantia as a private limited company, it was converted to public limited company in 1982. The day-to-day operations are managed by Mr. I.P. Tantia since 1969.

The company reported a net loss of Rs.67.22 Crore on operating income of Rs.285.26 Crore in FY2017 as against loss of Rs. 30.36 crore on operating income of 405.56 crore in FY 2016. The company is still unable to pay its principal and interest payments on time.

List of key rating drivers and their detailed description

Strengths

Experienced Management with long track record of operations:

Mr I P Tantia has been at the helm of affairs of the company since 1969. It is being managed by the board along with key expertise handling the functional area.

Diversified project mix with satisfactory client portfolio:

TCL is engaged in construction of roads, railways, bridges, urban infrastructure development, power transmission, aviation infrastructure, marine infrastructure, tunnels construction, industrial construction and at times, construction of turnkey projects. Its major clients are Eastern Railway, North East Frontier Railway, Kolkata Metro Railway, IRCON International, East Central Railway, National Highway Authority of India (NHAI), Hooghly River Bridge Commissioners (HRBC), National Thermal Power Corporation (NTPC), Airport Authority of India (AAI), Department Indian Oil Corporation (IOC) to name a few.

Weaknesses

Delays in servicing FITL interest and principal:

TCL is still facing financial crises and net loss has increased from Rs.30.36 crore in FY6 to Rs.67.22 crore in FY 17. TCL is not able to service its principal installment and interest payment on various bank facilities availed.

Working capital intensive business:

The operations of TCL are working capital intensive and its GCA days increased to a high level of 1211 days as in FY 17 as compared to 871 days in FY 16. Further the inventory days, creditor days and debtor days has shown an increasing trend over the last three years inspite of decreasing revenue trend.

Weak financial risk profile:

The financial risk profile of TCL is weak with declining revenue and increasing losses year on year basis which resulted in erosion of networth on constant basis and stood at Rs. 60.25 crore in FY 17 as compared to Rs. 106.387 crore in FY 16. Decrease in the networth with increase in gearing ratio from 8.43 times in FY 16 to 14.20 times in FY 17 depicts weak financial risk profile.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of TCL to arrive at the rating.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	285.26	405.56	522.80
EBITDA	Rs. Cr.	19.18	45.90	44.19
PAT	Rs. Cr.	(67.22)	(30.36)	(61.11)
EBITDA Margin	(%)	6.72	11.32	8.45
PAT Margin	(%)	(23.56)	(7.49)	(11.69)
ROCE	(%)	2.07	3.87	3.54
Total Debt/Tangible Net Worth	Times	14.20	8.43	6.22
PBDIT/Interest	Times	0.33	0.71	0.59
Total Debt/PBDIT	Times	29.60	17.63	15.25
Gross Current Assets (Days)	Days	1,211	871	653

Status of non-cooperation with previous CRA (if applicable):

None

Any other information:

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities- <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument
<https://www.smera.in/criteria-complexity-levels.htm>
Status of non-cooperation with previous CRA (if applicable):

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
30-Dec, 2016	Cash Credit	Long Term	393.00	SMERA D (Downgraded from SMERA C)
	Term Loan	Long Term	92.45	SMERA D (Downgraded from SMERA C)
	*WCTL-I	Long Term	72.80	SMERA D (Downgraded from SMERA C)
	WCTL-II	Long Term	19.29	SMERA D (Downgraded from SMERA C)
	#FITL-I	Long Term	62.21	SMERA D (Reaffirmed)
	FITL-II	Long Term	15.24	SMERA D (Reaffirmed)
	FITL-III	Long Term	15.30	SMERA D (Reaffirmed)
	Bank Guarantee	Short Term	475.00	SMERA D (Downgraded from SMERA A4)
05-Feb, 2016	Cash Credit	Long Term	393.00	SMERA C (Assigned)
	Term Loan	Long Term	92.45	SMERA C (Assigned)
	*WCTL-I	Long Term	72.80	SMERA C (Assigned)

	WCTL-II	Long Term	19.29	SMERA C (Assigned)
	#FITL-I	Long Term	62.21	SMERA C (Assigned)
	FITL-II	Long Term	15.24	SMERA C (Assigned)
	FITL-III	Long Term	15.30	SMERA C (Assigned)
	Bank Guarantee	Short Term	475.00	SMERA A4 (Assigned)

**Working Capital Term Loan.*

#Funded Interest Term Loan.

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	393.00	SMERA D (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	92.45	SMERA D (Reaffirmed)
*WCTL-I	Not Applicable	Not Applicable	Not Applicable	72.80	SMERA D (Reaffirmed)
WCTL-II	Not Applicable	Not Applicable	Not Applicable	19.29	SMERA D (Reaffirmed)
#FITL-I	Not Applicable	Not Applicable	Not Applicable	62.21	SMERA D (Reaffirmed)
FITL-II	Not Applicable	Not Applicable	Not Applicable	15.24	SMERA D (Reaffirmed)
FITL-III	Not Applicable	Not Applicable	Not Applicable	15.30	SMERA D (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	475.00	SMERA D (Reaffirmed)

**Working Capital Term Loan.*

#Funded Interest Term Loan.

Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Bhanupriya Khandelwal Analyst - Rating Operations Tel: 02267141131 bhanupriya.khandelwal@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.