

Press Release

Tejas Constructions And Infrastructure Private Limited

September 19, 2018

Rating Assigned



| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs.103.00 Cr. |
| Long Term Rating | ACUITE BBB / Outlook: Stable |
| Short Term Rating | ACUITE A3+ |

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.103.00 crore bank facilities of Tejas Constructions And Infrastructure Private Limited. The outlook is '**Stable**'.

Pune based Tejas Constructions and Infrastructure Private Limited was incorporated in 2007. The company directed by Mr. Sushil Agrawal and Mrs. Meena Agrawal is engaged in undertaking the contracts for drinking water supply schemes (Priority Sector) on EPC basis for central and state government and construction for integrated sugar industry complex.

Key Rating Drivers

Strengths

- **Experienced track record and Experienced management**

The directors, Mr. Sushil Agrawal (B. Tech. IIT Kanpur) and Meena Agrawal (B.E. VNIT Nagpur) have an experience of over two decades in the construction industry. The directors are well supported by Mr. Prashil Agrawal and Ms. Pankhuri Agrawal. With the promoter's extensive industry experience and timely execution of projects, the company has been able to establish long-standing relationship with various government as well as private clients.

- **Healthy order book position**

TCIPL registered an operating income of Rs.122.82 crore in FY2018 (Provisional) as against Rs.94.36 crore in FY2017. Moreover, the company has an unexecuted order book position of Rs.546.00 crore as on 31 July 2018 which is spread across Maharashtra, Madhya Pradesh, Karnataka and Chhattisgarh giving the revenue visibility over the medium term.

- **Above average financial risk profile**

TCIPL has above average financial risk profile marked by tangible net worth of Rs.34.99 crore as on 31 March, 2018 (Provisional) as against Rs.29.06 crore as on 31 March, 2017. The gearing stood at 0.81 times as on 31 March 2018 (Provisional) as against 0.47 times as on 31 March, 2017. The debt of Rs.28.23 crore mainly consists of term loans of Rs.3.24 crore, unsecured loan of Rs.1.18 crore and working capital borrowings of Rs.23.71 crore as on 31 March 2018 (Provisional). Interest Coverage Ratio (ICR) stood at 3.33 times for FY 2018(Provisional) as against 3.28 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.92 times as on 31 March, 2018 (Prov.) as against 1.21 times as on 31 March, 2017. Going forward, Acuite expects the company to maintain its financial risk profile in absence of major debt funded capex plans.

Weaknesses

- **Working capital intensive operations**

TCIPL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 241 days in FY2018 (Provisional) compared to 193 days in FY2017. The GCA days are mainly dominated by high inventory days of 115 days in FY2018 (Provisional). The working capital limits were 85 percent utilised for the past six months ended July 2018. Acuite believes that the efficient working capital

management will be crucial to the company in order to maintain a stable credit profile.

• **Competitive and fragmented industry**

The company is engaged as EPC contractor for drinking water supply schemes. The particular sector is marked by the presence of several mid to big size players. The firm faces competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent on account of extensive experience of the management.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the TC IPL to arrive at this rating.

Outlook: Stable

Acuite believes that TC IPL will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the company registers higher-than expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than expected growth in revenues and profitability or if the financial risk profile deteriorates due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

| | Unit | FY18 (Provisional) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 122.82 | 94.36 | 64.73 |
| EBITDA | Rs. Cr. | 14.40 | 10.42 | 6.82 |
| PAT | Rs. Cr. | 5.92 | 4.29 | 1.86 |
| EBITDA Margin | (%) | 11.73 | 11.05 | 10.53 |
| PAT Margin | (%) | 4.82 | 4.55 | 2.88 |
| ROCE | (%) | 25.91 | 21.61 | 15.57 |
| Total Debt/Tangible Net Worth | Times | 0.81 | 0.47 | 0.72 |
| PBDIT/Interest | Times | 3.33 | 3.28 | 3.15 |
| Total Debt/PBDIT | Times | 1.90 | 1.39 | 2.50 |
| Gross Current Assets (Days) | Days | 241 | 193 | 274 |

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***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 | 15.00 | ACUITE BBB/Stable |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 14.00 | ACUITE BBB/Stable |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 4.00 | ACUITE BBB/Stable |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 33.00 | ACUITE A3+ |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 30.00 | ACUITE A3+ |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 6.00 | ACUITE A3+ |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 1.00 | ACUITE A3+ |

Contacts

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About Acuité Ratings & Research:

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