

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

Acuité 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, Acuité 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. Acuité 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

Acuité has considered the standalone business and financial risk profiles of the TCIPL to arrive at this rating.

Outlook: Stable

Acuité believes that TCIPL 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+

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About Acuité Ratings & Research:

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