

Press Release

Tejas Constructions and Infrastructure Private Limited

November 12, 2019



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs.125.00 Cr. (Enhanced from Rs.103 Cr.)
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the 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.93.00 crore bank facilities and assigned the long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) on the Rs.32.00 crore bank facilities of Tejas Constructions and Infrastructure Private Limited (TCIPL). The outlook is '**Stable**'.

Pune based TCIPL 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.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established 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.

Acuité believes that TCIPL will continue to benefit from the promoter's established presence in the industry and its improving business risk profile over the medium term

- **Healthy order book position**

TCIPL registered an operating income of Rs.128.83 crore in FY2019 as against Rs.119.86 crore in FY2018. The company has reported revenue of Rs.85.35 crore (Provisional) for April – September, 2019 (Provisional). Moreover, the company has an unexecuted order book position of Rs.411.11 crore as on 30 September 2019, 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.38.58 crore as on 31 March 2019 as against Rs.33.27 crore as on 31 March 2018. The gearing is comfortable at 1.21 times as on 31 March 2019 as against 0.84 times in the previous year. The total debt of Rs.46.78 crore as on 31 March 2019 includes working capital borrowings of Rs.40.17 crore, term loans of Rs.4.10 crore and interest bearing unsecured loan from related parties of Rs.2.50 crore. The Interest Coverage Ratio (ICR) stood moderate at 2.15 times in FY2019 and 2.83 times in the previous year. The Total Liabilities to Tangible Net worth (TOL/TNW) stood at 1.93 times as on 31 March 2019 as against 2.10 times in the previous year. Going ahead, Acuité expects the company to maintain its financial risk profile in the absence of major debt funded capex plan and moderate debt protection metrics.

Weaknesses

• Working capital intensive operations

TCIPL has an elongated working capital cycle with Gross Current Assets (GCA) at 253 days as on March, 2019 as against 249 days in the previous year. This is on account of high inventory holding of 118 days as on 31 March, 2019 and 31st March, 2018. The debtor days stood at 95 as on 31st March, 2019 as against 90 days in the previous year. The working capital limits were ~91 percent utilised for the past eight months ended August, 2019.

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 company 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.

Liquidity Position: Adequate

The company's liquidity is adequate marked by moderate net cash accruals to its maturing debt obligations. The company has generated cash accruals in the range of Rs.5.31-6.53 crore during last three years ending FY2019 as against its long term debt obligations of Rs.0.07-1.66 crore for the same period. The company's working capital is stretched as evident from Gross Current Asset (GCA) of 253 days as on March, 2019 as compared to 249 days as on March, 2018. The current ratio stood at 1.42 times as on 31 March 31 2019 and the fund based limit remains utilised at 91 per cent over the seven months ended August 2019. The company maintains unencumbered cash and bank balances of Rs.0.98 crore as on 31 March 31 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term in the absence of any significant debt funded capex.

Rating sensitivity factor

- Improvement in revenue and profitability margins
- Delay in execution of contract orders.
- Sustenance of the comfortable financial risk profile
- Elongated working capital cycle

Material covenants

As required by Bank, the company has infused equity of Rs.3 cr. by March, 2018 and Rs.1 cr. by September, 2019. Further, it will infuse Rs.1 cr by March, 2020.

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 company 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	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	128.83	119.86	94.36
EBITDA	Rs. Cr.	14.85	12.22	10.42
PAT	Rs. Cr.	4.44	4.35	4.29
EBITDA Margin	(%)	11.52	10.19	11.05
PAT Margin	(%)	3.44	3.63	4.55
ROCE	(%)	18.83	22.30	21.61
Total Debt/Tangible Net Worth	Times	1.21	0.84	0.47
PBDIT/Interest	Times	2.15	2.83	3.28
Total Debt/PBDIT	Times	2.95	2.21	1.39
Gross Current Assets (Days)	Days	253	249	193

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

Not Applicable

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-51.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Sept-2018	Cash Credit	Long Term	15.00	ACUITE BBB/ Stable (Assigned)
	Cash Credit	Long Term	14.00	ACUITE BBB/ Stable (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BBB/ Stable (Assigned)
	Bank Guarantee	Short Term	33.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	6.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A3+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BBB / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	32.00	ACUITE BBB/ Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	33.00	ACUITE A3+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A3+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A3+ (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3+ (Reaffirmed)

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About Acuité Ratings & Research:

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