



**Press Release**  
**Tejas Constructions And Infrastructure Private Limited**  
**May 10, 2022**  
**Rating Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	57.00	ACUITE BBB-   Stable   Downgraded   Negative to Stable	-
Bank Loan Ratings	68.00	-	ACUITE A3   Downgraded
Total Outstanding Quantum (Rs. Cr)	125.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has downgraded the long-term rating to “**ACUITE BBB-**” (read as **ACUITE Triple B Minus**) from ‘**ACUITE BBB**’ (read as **ACUITE Triple B**) and short-term rating to “**ACUITE A3**” (read as **ACUITE A Three**) from ‘**ACUITE A3+**’ (**ACUITE A Three Plus**) on the Rs. 125.00 Cr bank facilities of Tejas Constructions and Infrastructure Private Limited (TCIPL). The outlook is revised to “**Stable**”.

**Rationale for Downgrade**

The downgrade in rating is on account of limited revenue visibility, working capital intensive nature of operations and deterioration in liquidity position. Going forward the company has Rs. 99.70 Cr of unexecuted order book position and the company is not bidding on new tenders. The management is not in favor of bidding for small ticket projects since executing them will impact their margins and the projects that are being awarded in other states do not have favorable terms and conditions. In the near term keeping in mind the market situation and the rise in input costs the company is planning to bid on big ticket tenders that would help the company to maintain the margins but the situation will be clear only after 6-7 months. GCA days of the company has stretched in FY 2021 and is expected to stretch further in the near term. Because of the working capital intensive nature of operations the company has been heavily reliant on working capital borrowings. The liquidity of the company has stretched and the company is expected to generate just enough cash accruals to service its maturing debt obligations which means that the trend of reliance on working capital borrowings is going to continue in the medium term.

**About the Company**

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

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of TCIPL to arrive at the rating.

## Key Rating Drivers

## **Strengths**

### **Established track record and experienced management**

TCIPL and its promoters' long standing presence in the civil construction industry manifests the company's established track record of operations and the extensive experience of its promoters. TCIPL is promoted and directed by Mr. Sushil Agrawal and Meena Agrawal who have an experience of over 2 decades in the civil construction industry. The directors are supported by Mr. Prashil Agrawal and Ms. Pankhuri Agrawal. Since inception, TCIPL has been executing projects floated through tenders by central and state government in the states of Maharashtra, Madhya Pradesh, and Chhattisgarh amongst others. By endeavoring numerous orders for its key principals for around 2 decades, TCIPL is presently registered with PWD Govt. of Maharashtra, Madhya Pradesh, Karnataka, Chhattisgarh & Maharashtra Jeevan Pradhikaran as class I (unlimited) contractor. Promoter's extensive industry experience and established track record has enabled TCIPL in establishing long-standing relationship with its key suppliers and principals. Acuité believes that TCIPL's established track record and experienced management will continue to aid its business risk profile over the medium term.

### **Established raw material linkages and moderate supplier concentration risk**

TCIPL has established raw material linkages for its major raw materials like DI Pipes, HDPE Pipes, steel products, cement and others. TCIPL purchases its major raw materials like DI Pipes, HDPE pipes from fixed and vintage suppliers like Tata Metaliks Kubota Pipes Ltd, Jindal Saw Ltd, Jain Irrigation System Ltd amongst others against 45-60 days of open credit. Cement is purchased against advance payment from Ultratech Cement Limited. Other construction materials like steel, pumps, water meter are purchased from its fixed suppliers against 45-60 days of credit. For commoditized products such as steel and cement, the prices of the same remain volatile which exposes the company to risks associated with volatility in raw material prices. Moreover, the promoters' long experience in the industry lends comfort with respect to managing the volatility in the raw material prices and resultant impact on the company's profitability margins. TCIPL usually sub-contracts 5- 10 percent of its work. Withal, TCIPL has moderate supplier concentration risk, as not a single supplier contributes more than 50-60 percent to the overall raw materials costs. Acuité believes that established raw material linkages and fixed suppliers with vintage of more than a decade will help TCIPL and sustaining its operating margins over the medium term.

### **Moderate geographical and customer concentration in revenue profile**

TCIPL has executed orders across Maharashtra, Madhya Pradesh, and Chhattisgarh. Out of the FY 2021 revenue of Rs.131.49 Cr (excluding GST), 49 percent of revenue was derived from Maharashtra, 26 percent from Chhattisgarh and rest of 20 percent from Madhya Pradesh, thereby, leading to moderate geographical concentration risk. The geographical concentration is partially mitigated by the fact, it bids only for funded projects (central and state); ensuring consistency in revenues and operating margins. TCIPL has been executing projects for its selected key principal contractors only like Office of the Municipal Corporation and The Chief Officer, Nagar Panchayat for various districts of the aforesaid states. Top 10 customers contribute entirely to the total revenue, thereby, leading to moderate customer concentration risk in its revenue profile. Acuité believes that TCIPL will remain geographically and customer-wise concentrated on moderate basis until successful bidding of orders in other states and for different customers.

## **Weaknesses**

### **Tender based nature of operations**

TCIPL executes majorly tender based projects from government bodies with low reliance on subcontract work. Once the tender is allotted, earnest money deposits (EMD) in the range of ~2.5-7 per cent is deposited against Bank guarantee. The company raises bills on a monthly basis. The retention money is usually 5-10 per cent of the contract value which is in few instances released against Bank guarantee. Since the nature of operations is tender based, the business depends on the ability to bid for contracts successfully. TCIPL has success rate of 60 to 70 percent in bidding. Acuité believes that TCIPL's revenue and profitability are susceptible to risks inherent in tender based operations which limits pricing flexibility in an intensely competitive industry.

### **Working capital intensive operations**

The operations of the company are working capital intensive. GCA days have remained around 250-260 in FY 2019-20 which has stretched to 363 in FY 2021 due to disruptions created by Corona. The GCA days includes the other current asset portion in form of retention money, security deposits and other advances which further takes it to elongated levels. Inventory days stretched to 166 days in FY 2021 as against 109 days in FY 2020 due to slow execution of projects. Debtor realization period also stretched to 166 days in FY 2021 from 93 days in FY 2020 due to delays in payment from government departments as a result of Covid which in turn resulted in stretch in creditor days. This has resulted in reliance on working capital borrowings as evident by the average bank limit utilization of 97.42% between April 2021 and March 2022.

### **Execution and other industry-related risks in the 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. TCIPL, like any other EPC company, is exposed to the risks inherent in the construction sector such as time/cost overruns, slowdown in new order inflows, high exposure to non-fund-based limits vis-à-vis its net worth amongst others. TCIPL is also exposed to execution risk and its ability to complete the projects as per the scheduled timelines which is crucial to meet its contractual obligations and receive repeated orders in future. Acuite believes that TCIPL will remain exposed to execution and industry-related risks over the medium term.

### **Rating Sensitivities**

- Timely execution of its order book leading to substantial improvement in scale of operations while maintaining profitability margins over the medium term.
- Stretch in working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile and liquidity.

### **Material covenants**

None.

### **Liquidity Position: Poor**

The liquidity position of the company is poor when comparing its net cash accruals to its maturing debt obligations. In FY 2021, company generated NCA of Rs. 4.36 Cr against CPLTD of Rs. 3.95 Cr. Going forward the company is expected to generate NCA in the range of Rs. 4.91 Cr and 4.96 Cr against CPLTD of Rs. 4.57 Cr and 3.77 Cr for FY 2022-23 respectively. Reliance on working capital borrowings is high as the average bank limit utilization remained at 97.42 Cr and the Fixed Deposit investment of Rs. 8.80 Cr is almost entirely lien marked as margin for non-fund based facilities. The company maintained cash and bank position of Rs. 0.51 Cr and its current ratio stood at 1.66 times for FY 2021.

### **Outlook: Stable**

Acuite believes that TCIPL will continue to benefit over the medium term due to its experienced management and established track record. The outlook may be revised to 'Positive', in case of timely execution of its unexecuted order book and successful bidding of orders in pipeline, leads to higher-than-expected revenues and profitability, while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' in case TCIPL registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leads to deterioration of its financial risk profile and liquidity.

## Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	118.96	150.89
PAT	Rs. Cr.	2.23	5.71
PAT Margin	(%)	1.87	3.78
Total Debt/Tangible Net Worth	Times	1.19	1.08
PBDIT/Interest	Times	1.61	2.27

### 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-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Feb 2021	Cash Credit	Long Term	14.00	ACUITE BBB   Negative (Reaffirmed)
	Bank Guarantee	Short Term	29.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB   Negative (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	4.00	ACUITE A3+ (Assigned)
	Proposed Bank Facility	Long Term	22.00	ACUITE BBB   Negative (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB   Negative (Reaffirmed)
12 Nov 2019	Bank Guarantee	Short Term	6.00	ACUITE A3+ (Withdrawn)
	Letter of Credit	Short Term	1.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB (Withdrawn)
	Proposed Bank Facility	Long Term	32.00	ACUITE BBB   Stable (Assigned)
	Cash Credit	Long Term	14.00	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	33.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A3+ (Reaffirmed)
19 Sep 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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	29.00	ACUITE A3   Downgraded
IDBI Bank Ltd.	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A3   Downgraded
Janaseva Sahakari Bank Ltd (Pune)	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3   Downgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB-   Stable   Downgraded   Negative to Stable
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BBB-   Stable   Downgraded   Negative to Stable
Janata Sahakari Bank Ltd (Pune)	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB-   Stable   Downgraded   Negative to Stable
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3   Downgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE BBB-   Stable   Downgraded   Negative to Stable

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### About Acuité Ratings & Research

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