

Press Release
Tejas Constructions And Infrastructure Private Limited
March 14, 2024



Rating Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	61.00	ACUITE BB- Stable Upgraded	-
Bank Loan Ratings	34.00	-	ACUITE A4 Reaffirmed
Bank Loan Ratings	30.00	-	ACUITE A4 Upgraded
Total Outstanding Quantum (Rs. Cr)	125.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to **Acuite BB-(read as Acuite double B minus)** from **Acuite C(read as Acuite C)** and **Acuite D (read as Acuite D)** on the Rs.61 Cr. bank facilities and reaffirmed its short term rating at **Acuite A4(read as Acuite A four)** on its Rs.34.00 Cr bank facilities and upgraded short-term rating to **Acuite A4(read as Acuite A four)** from **Acuite D(read as Acuite D)** on the Rs.30.00 Cr. bank facilities of Tejas Construction and Infrastructure Private Limited (TCIPL). The outlook is 'Stable'.

Rationale for rating upgrade

Rating upgrade reflects timely servicing of debt obligations by the company towards its bank loan facilities over the last three months period. Further, rating continues to factor in the moderation recorded in TCIPL's operating performance in FY2023 marked by declining operating income. The operating income has recorded a declining trend since FY2021, it stood at Rs.83.57Cr in FY2023 as against Rs.92.33 Cr in FY2022 and Rs.118.96 in FY2021 and Rs.150.89 Cr in FY2020. This declining trend is attributed to the continued effects of the disruptions caused by covid-19 pandemic and the company focusing on completing the existing work orders. However, in 9MFY2024, company has recorded revenue of Rs.67 Cr and expects to close the year in the range of Rs.140 Cr. As of January 2024, TCIPL has an order book position of ~Rs.355.79 Cr executable majorly in next 2 years.

Further, the rating remains constrained on account of intensive nature of working capital operations, high reliance on working capital limits and stretched liquidity position.

Going ahead, TCIPL's ability to improve its scale of operations in view of healthy order book position while maintaining its margins and capital structure along with restricting further elongations in the working capital cycle will remain a key rating monitorable.

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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité 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 endeavouring 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.

Moderate Financial Risk Profile

Company has a moderate financial risk profile marked by moderate capital structure and average debt protection metrics. The company has moderate net worth of Rs. 67.33 Cr as on March 31, 2023 against Rs.49.37 Cr as on March 31, 2022. The total debt of Rs.50.06 Cr consists of Rs.12.10 Cr of long-term debt and Rs.35.09 Cr of short-term debt and Rs.2.88 Cr of USL. The gearing (debt-to-equity) and total outside liabilities to tangible net worth (TOL/TNW) ratio improved to 0.74 times and 1.26 times respectively, as on March 31, 2023 vis-à-vis 1.24 times and 1.81 times as on March 31, 2022. The improvement is attributed to Rs.15 Cr of USL infused by the promoters considered as quasi-equity in FY2023. Debt protection metrics are average, reflected by interest coverage (ICR) and net cash accrual to total debt ratio (NCA/TD) of 1.42 times and 0.07 times, respectively in FY 2023 vis-à-vis 1.60 times and 0.06 times for FY2022. However, the DSCR stood below unity at 0.96 times in FY2023 against 0.99 times in FY2022. The financial risk profile is expected to remain moderate over the medium term.

Weaknesses

Working Capital Management

The operations of the company are working capital intensive. GCA days stood at 560 days in FY2023 against 458 days in FY2022. The GCA days include 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 179 days in FY 2023 as against 168 days in FY 2022. The debtor realisation period stood at 137 days in FY 2023 against 142 days in FY2022.

On the other hand, TCIPL derives support from its suppliers by extending the payables period. The creditor days stood at 269 days in FY2023 against 98 days in FY2022.

The fund based working capital limits remain almost fully utilised at 99.36% for the last 13 months ending December 2023, and the non-fund based limits remain moderately utilised at 69.09% during the same period.

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 ~10-15 per cent is deposited against Bank guarantee. 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. 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.

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 sector. 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.
- Further stretch in working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile and liquidity

Liquidity Position Stretched

The liquidity position of the company is stretched when comparing its net cash accruals to its maturing debt obligations. In FY 2023, company generated insufficient NCA of Rs.3.70 Cr against CPLTD of Rs.4.29 Cr. Going forward the company is expected to generate NCA in the range of Rs.4.16 Cr and Rs.8.17 Cr against CPLTD of Rs. 3.86 Cr and Rs.2.19 Cr for FY2024 & FY2025 respectively. Reliance on working capital borrowings is high as the average fund-based bank limit utilization remained at 99.36% and the Fixed Deposit investment of Rs.10.25 Cr is entirely lien marked as margin for non-fund-based facilities. The company-maintained cash and bank position of Rs. 0.37 Cr and its current ratio stood at 1.90 times for FY 2023

Outlook:Stable

Acuite believes that TCIPL will continue to benefit over the medium term due to its experienced management, established track record and a healthy order book position. The outlook may be revised to 'Positive', in case of timely execution of its unexecuted order book and successful bidding of orders in pipeline, leading 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	83.57	92.33
PAT	Rs. Cr.	2.05	1.80
PAT Margin	(%)	2.45	1.95
Total Debt/Tangible Net Worth	Times	0.74	1.24
PBDIT/Interest	Times	1.42	1.60

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-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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Oct 2023	Bank Guarantee/Letter of Guarantee	Short Term	29.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Bank Guarantee/Letter of Guarantee	Short Term	30.00	ACUITE D (Downgraded from ACUITE A4+)
	Cash Credit	Long Term	15.00	ACUITE C Not Applicable (Downgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	14.00	ACUITE D Not Applicable (Downgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	6.00	ACUITE C Not Applicable (Downgraded from ACUITE BB+ Stable)
	Letter of Credit	Short Term	5.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Proposed Cash Credit	Long Term	20.93	ACUITE C Not Applicable (Downgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	1.37	ACUITE D Not Applicable (Downgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	1.50	ACUITE C Not Applicable (Downgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	1.49	ACUITE C Not Applicable (Downgraded from ACUITE BB+ Stable)
	Working Capital Demand Loan (WCDL)	Long Term	0.71	ACUITE C Not Applicable (Downgraded from ACUITE BB+ Stable)
04 Aug 2023	Bank Guarantee/Letter of Guarantee	Short Term	29.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Bank Guarantee/Letter of Guarantee	Short Term	30.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Cash Credit	Long Term	15.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	14.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	6.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Proposed Cash Credit	Long Term	20.93	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	1.37	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	1.50	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	1.49	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	0.71	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
10 May 2022	Bank Guarantee/Letter of Guarantee	Short Term	29.00	ACUITE A3 (Downgraded from ACUITE A3+)
	Bank Guarantee/Letter of Guarantee	Short Term	30.00	ACUITE A3 (Downgraded from ACUITE A3+)
	Bank Guarantee/Letter of Guarantee	Short Term	4.00	ACUITE A3 (Downgraded from ACUITE A3+)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Downgraded from ACUITE BBB Negative)
		Long		ACUITE BBB- Stable (Downgraded from

	Cash Credit	Term	14.00	ACUITE BBB Negative)
	Cash Credit	Long Term	6.00	ACUITE BBB- Stable (Downgraded from ACUITE BBB Negative)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Downgraded from ACUITE A3+)
	Proposed Long Term Bank Facility	Long Term	22.00	ACUITE BBB- Stable (Downgraded from ACUITE BBB Negative)
09 Feb 2021	Bank Guarantee (BLR)	Short Term	30.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	29.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	4.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	14.00	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB Negative (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	22.00	ACUITE BBB Negative (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	29.00	ACUITE A4 Reaffirmed
IDBI Bank Ltd.	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A4 Upgraded (from ACUITE D)
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BB- Stable Upgraded (from ACUITE C)
IDBI Bank Ltd.	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.00	ACUITE BB- Stable Upgraded (from ACUITE D)
Janata Sahakari Bank Ltd (Pune)	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE BB- Stable Upgraded (from ACUITE C)
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A4 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.93	ACUITE BB- Stable Upgraded (from ACUITE C)
IDBI Bank Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Oct 2024	Simple	1.37	ACUITE BB- Stable Upgraded (from ACUITE D)
State Bank of India	Not avl. / Not appl.	Term Loan	30 May 2020	Not avl. / Not appl.	31 Jan 2027	Simple	1.50	ACUITE BB- Stable Upgraded (from ACUITE C)

State Bank of India	Not avl. / Not appl.	Term Loan	05 Jan 2022	Not avl. / Not appl.	30 Sep 2024	Simple	1.49	ACUITE BB- Stable Upgraded (from ACUITE C)
Janata Sahakari Bank Ltd (Pune)	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.71	ACUITE BB- Stable Upgraded (from ACUITE C)

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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