

Press Release

Topline Infra Projects Private Limited

January 20, 2020

Rating Reaffirmed



| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs.110.00 Cr. |
| Long Term Rating | ACUITE BBB/ Outlook: Stable |
| Short Term Rating | ACUITE A3+ |

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.110.00 crore bank facilities of TOPLINE INFRA PROJECTS PRIVATE LIMITED. The outlook is '**Stable**'.

Kolkata based Topline Infra Projects Private Limited was incorporated in 2004 and is promoted by Mr. Saurav Agarwal and Mr. Gaurav Agarwal. The company is engaged in undertaking of civil construction of roads and railway platforms mainly in the state of Bihar and West Bengal. Further company is also in the business of Operation and Maintenance of toll booths across the country.

Analytical Approach

Acuite has considered standalone business and financial risk profile of Topline Infra Projects Private Limited (TIPL) to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management and Long track record of operations

Promoters of TIPL, Mr. Saurav Agarwal and Mr. Gaurav Agarwal have extensive experience in the civil construction business which has enabled the company to maintain healthy order book position and register healthy revenue growth. Operating income has grown at 43.58 per cent in FY2019 over FY2018. Further, having around two decades of experience has enabled the company to maintain strong relations with its customers and suppliers.

Acuite believes that the promoters' experience and healthy relations with its customers and suppliers will continue to benefit OCPL over the medium term.

• Healthy financial risk profile

TIPL has healthy financial risk profile marked by healthy net worth, healthy debt protection metrics and low gearing. The net worth of the company has sequentially improved to Rs.109.55 crore as on 31 March, 2019 as against Rs.88.58 crore as on 31 March, 2018 on account of infusion of unsecured loans of Rs.10.00 which is treated as quasi equity and healthy accretion to reserves, the latter is a result of moderate operating margins.

The company has followed a conservative financial policy in the past, the same is also reflected through its gearing levels. The gearing level (debt-equity) stood stable at 0.31 times as on 31 March, 2019 as against 0.30 times as on 31 March, 2018. The gearing of the company is expected remain low over the medium term on account of absence of any debt funded capex plans. The total debt of Rs.34.43 crore as on 31 March, 2019 consists of long term debt of Rs.13.01 crore, unsecured loans of Rs.3.64 crore and working capital borrowings of Rs.17.78 crore. Debt to EBITDA stood at 1.26 times in FY2019 as against 1.49 times in the previous year.

Operating income improved by 43.58 per cent in FY2019 over FY2018 and simultaneously the operating margins improved to 9.77 percent in FY2019 as against 8.91 percent in FY2018, leading to improvement in the coverage indicators. Interest coverage ratio (ICR) stood at 4.67 times in FY2019 as against 3.82 times in FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.44 times in FY2019 and 0.39 times in FY2018.

Acuite believes that the financial risk profile of the company is expected to remain healthy backed by moderate net cash accruals and in absence of any major debt funded capex in near to medium term.

• Moderately working capital intensive nature of operations

Operation of the company are moderately working capital intensive marked by Gross Current Assets (GCA) of 112 days in FY2019 as against 79 days in the previous year. This is majorly on the account of debtors' collection period of 6 days in FY2019 as against 7 days in the previous year and inventory holding period of 95 days in FY2019 as against 50 days in the previous year. And company enjoys credit period of around 20-30 days from its suppliers. Further current ratio of the company stood moderate at 1.93 times as on 31 March 2019 as against 1.91 times as on 31 March, 2018.

Weaknesses

• Tender based nature of business and geographical concentration risk

The company's performance is susceptible to tender based nature of business activities and intense competition among other players bidding for government contracts. Further, TIPL is exposed to geographic concentration risk as the company executes majority of its projects in the state of Bihar.

• Highly competitive and fragmented industry

The company is engaged as civil contractor. The particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. However, having an operational track record of around two decades has helped the company to mitigate this risk.

Key rating Sensitivity Factors

- Improvement in profitability
- Deterioration of working capital.
- Improvement in Liquidity

Material Covenants

Not Applicable

Liquidity Profile: Adequate

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. TIPL generated cash accruals of Rs.15.17 crore in FY2019 against debt obligations of Rs.3.16 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.17.35 crore to Rs.19.29 crore during FY2020-22 against repayment obligations of Rs.2.26 crore for the same period. The cash credit limit of the company remained almost fully utilized at ~ 94 percent during the last six months ended December, 2019. The company maintained unencumbered cash and bank balances of Rs.1.74 crore as on 31 March, 2019. The current ratio stood at 1.93 times as on 31 March, 2019. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuite believes the outlook on TIPL will remain 'Stable' over the medium term backed by the experience of the management and its healthy order book position. The outlook may be revised to 'Positive' in case of higher-than expected growth in its revenues while maintaining its profitability margins and improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or larger-than-expected debt-funded capital expenditure resulting in deterioration of its financial risk profile and liquidity

About the Rated Entity - Key Financials

| | Unit | FY19 (Actual) | FY18 (Actual) |
|------------------------------|---------|---------------|---------------|
| Operating Income | Rs. Cr. | 259.93 | 181.03 |
| PAT | Rs. Cr. | 10.97 | 6.93 |
| PAT Margin | (%) | 4.22 | 3.83 |
| Total Debt/Tangible NetWorth | Times | 0.31 | 0.30 |
| PBDIT/Interest | Times | 4.67 | 3.82 |

Status of non-cooperation with previous CRA:

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-----------|---------------------------------|------------|------------------|--------------------------------|
| 15-Nov-18 | Cash Credit | Long Term | 18.00 | ACUITE BBB/Stable (Reaffirmed) |
| | Term Loans | Long Term | 3.26 | ACUITE BBB/Stable (Assigned) |
| | Bank Guarantee | Short Term | 88.00 | ACUITE A3+ (Reaffirmed) |
| | Proposed Short Term facility | Short Term | 0.74 | ACUITE A3+ (Assigned) |
| 12-Nov-18 | Cash Credit | Long Term | 5.00 | ACUITE BBB/Stable (Assigned) |
| | Bank Guarantee | Short Term | 15.00 | ACUITE A3+ (Assigned) |

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|------------------------------|------------------|----------------|----------------|-------------------------------|---------------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 18.00 | ACUITE BBB/ Stable (Reaffirmed) |
| Term Loans | Not Applicable | Not Applicable | Not Applicable | 3.26 | ACUITE BBB/ Stable (Reaffirmed) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 88.00 | ACUITE A3+ (Reaffirmed) |
| Proposed Short Term facility | Not Applicable | Not Applicable | Not Applicable | 0.74 | ACUITE A3+ (Reaffirmed) |

Contacts

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About Acuité Ratings & Research:

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