

## Press Release

Topline Infra Projects Private Limited

February 22, 2021



### Rating Upgraded and Assigned

<b>Total Bank Facilities Rated*</b>	Rs.136.54 Cr. (Enhanced from Rs.131.54 Cr.)
<b>Long Term Rating</b>	ACUITE BBB+ / Outlook: Stable (Upgraded and Assigned)
<b>Short Term Rating</b>	ACUITE A2 (Upgraded)

\* Refer Annexure for details

### Rating Rationale

Acuité has upgraded its long term rating to '**ACUITE BBB+** (read as ACUITE triple B plus) from '**ACUITE BBB**' (read as ACUITE triple B) and short term rating to '**ACUITE A2**' (read as ACUITE A two) from '**ACUITE A3+**' (read as ACUITE A three plus) on the Rs.131.54 crore bank facilities of Topline Infra Projects Private Limited. The outlook is '**Stable**'.

Further, Acuité has assigned a long term rating of '**ACUITE BBB+** (read as ACUITE triple B plus) on the Rs.5.00 crore bank facilities of Topline Infra Projects Private Limited. The outlook is '**Stable**'.

### Reason for Upgrade

Rating upgrade follows, improvement in the operating performance of the company coupled with healthy net worth. Operating income stood at Rs.200.16 crore for the period April-December in FY2021 as against Rs.178.56 crore for the corresponding period in FY2020. The company has been able to maintain healthy performance and liquidity during FY2021, even after lockdown during the starting of FY2021 due to COVID-19. Also having an unexecuted order book position of ~Rs.440 crore as on 31-Oct-2020, provides healthy revenue visibility over the medium term. Net worth of the company has sequentially improved to Rs.122.88 crore as on 31 March 2020 from Rs.88.58 crore as on 31 March 2018, owing to infusion of capital by the promoters and accretion of profits.

Acuité has also taken note of the improvement in working capital management of the company as reflected by GCA of 97 days in FY2020 as against 112 days in FY2019.

### About the company

Kolkata based Topline Infra Projects Private Limited (TIPL) 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. Further company is also in the business of Operation and Maintenance of toll booths across the country.

### Analytical Approach

For arriving at this rating, Acuité has taken a standalone view of the business and financial risk profile of Topline Infra Projects Private Limited.

### Key Rating Drivers

#### Strengths

- **Experienced Management and established market position**

Promoters of TIPL, Mr. Saurav Agarwal and Mr. Gaurav Agarwal, have extensive experience in the civil construction business. The management is ably supported by a well-qualified and experienced team of professionals. TIPL has been in the construction business since 2004 which has enabled it to maintain strong market position and to maintain healthy relations with its customers and suppliers.

Acuité believes that the promoters' experience and healthy relations with its customers and suppliers will continue to benefit company over the medium to long 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.122.88 crore as on 31 March, 2020 as against Rs.109.55 crore as on 31 March, 2019 on account of infusion of unsecured loans, 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 0.25 times as on 31 March, 2020 as against 0.31 times as on 31 March, 2019. 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.31.18 crore as on 31 March, 2020 consists of long term debt of Rs.14.21 crore, and working capital borrowings of Rs.16.97 crore. Debt to EBITDA stood at 1.36 times in FY2020 as against 1.26 times in the previous year. Slight decline in operating income and margin in FY2020 over FY2019 has led to decline in the coverage indicators. However, it continues to remain healthy marked by interest coverage ratio (ICR) of 3.96 times in FY2020 as against 4.67 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.42 times in FY2020.

Acuité 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.

- **Efficient working capital management**

There has been improvement in the working capital management of the company marked by Gross Current Assets (GCA) of 97 days in FY2020 as against 112 days in FY2019. This is primarily on account of reduction in the inventory holding period to 81 days in FY2020 from 95 days in FY2019. Debtors' collection period stood at 2 days in FY2020 as against 6 days in FY2019. Current ratio stood healthy at 2.03 times as on 31 March 2020.

## 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; however, having an established market position has enabled the company to procure orders from different government departments within the state.

- **Highly competitive and fragmented industry**

The company is engaged in the business of 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.

## 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.13.24 crore in FY2020 against debt obligations of Rs.4.46 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.16 crore to 20 crore during FY2021-23. Average cash credit limit utilization by the company stood at ~ 88 percent during the last six months ended December, 2020. The company maintained unencumbered cash and bank balances of Rs.5.33 crore as on 31 March, 2020. The current ratio stood at 2.03 times as on 31 March, 2020.

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.

## Rating Sensitivities

- Lower than expected operating performance
- Significant improvement in profitability margins
- Improvement in working capital management

### Outlook: Stable

Acuité 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	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	238.94	259.93
PAT	Rs. Cr.	7.23	10.97
PAT Margin	(%)	3.02	4.22
Total Debt/Tangible Net Worth	Times	0.25	0.31
PBDIT/Interest	Times	3.96	4.67

### Status of non-cooperation with previous CRA:

Not Applicable

### Any other information

Not Applicable

### Any Material Covenants

Not Applicable

### Applicable Criteria

- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- 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>

### Note on complexity levels of the rated instrument

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

### Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Jan-2020	Cash Credit	Long Term	30.00	ACUITE BBB/Stable (Reaffirmed)
	Term Loans	Long Term	1.54	ACUITE BBB/Stable (Reaffirmed)
	Bank Guarantee	Short Term	100.00	ACUITE A3+ (Reaffirmed)
20-Jan-2020	Cash Credit	Long Term	18.00	ACUITE BBB/ Stable (Reaffirmed)
	Term Loans	Long Term	3.26	ACUITE BBB/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	88.00	ACUITE A3+ (Reaffirmed)
	Proposed Short Term facility	Short Term	0.74	ACUITE A3+ (Reaffirmed)
15-Nov-2018	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-2018	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	30.00	ACUITE BBB+/Stable (Upgraded)
Term Loan	April-2016	11.65%	March-2021	0.66	ACUITE BBB+/Stable (Upgraded)
WCDL	Not Applicable	Not Applicable	Not Applicable	3.80	ACUITE BBB+/Stable (Assigned)
WCDL	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB+/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.08	ACUITE BBB+/Stable (Upgraded)
Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A2 (Upgraded)

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#### About Acuité Ratings & Research:

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