

## Press Release

### Topline Infra Projects Private Limited

May 17, 2022



### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	-	ACUITE A2   Reaffirmed
Bank Loan Ratings	36.54	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative	-
Total Outstanding Quantum (Rs. Cr)	136.54	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.136.54 crore bank facilities of Topline Infra Projects Private Limited (TIPPL). The outlook has been revised from '**Stable**' to '**Negative**'.

The ratings take into account improvement in financial performance in FY21 resulting in comfortable financial risk profile, healthy order book and adequate liquidity. The above strengths are however, underpinned by moderation in total operating income in FY22, volatility in revenue from toll segment and concentration of order book on clientele and geographical front.

#### Revision in outlook

The outlook has been revised from '**Stable**' to '**Negative**' considering the risk associated with timely execution of top two orders, constituting to 53.35% of total order book, to be executed in Ladakh. The execution of the order is also critical considering the Ladakh's terrain and climatic conditions. The revision in outlook also takes into account elongation in inventory days as against income from civil construction during FY22.

#### About the Company

Topline Infra Projects Private Limited (TIPPL), is a Kolkata based company that 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. The company has recently undertaken work order to be executed in Ladakh.

#### Analytical Approach

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

## Key Rating Drivers

### Strengths

#### Improvement in financial performance in FY21

The total operating income of the company increased from Rs.238.94 crore in FY20 to Rs. 284.83 crore in FY21, thereby reporting y-o-y growth of 19.20%. The same is mainly on account of increase in revenue from toll plaza segment. In line with increase in total operating income, the operating profit also increased from Rs.20.73 crore in FY20 to Rs. 23.11 crore in FY21. However, the operating profit margin marginally moderated to 8.12% in FY21 from 8.68% in FY20, led by increase in cost of material consumed. The net profit also increased from Rs.7.23 crore in FY20 to Rs.10.43 crore in FY21, thereby resulting in increase in net profit margin from 3.02% in FY20 to 3.66% in FY21.

#### Comfortable financial risk profile

The capital structure as represented by debt-equity ratio continues to remain below unity and improved at 0.37 times as on March 31, 2021 as against 0.44 times as on March 31, 2020. The improvement is led by increase in tangible net worth on account of accretion of profit to reserves. The interest coverage ratio improved to 4.59 times in FY21 over 3.96 times in FY20, led by increase in operating profit. The net cash accruals to total debt also improved in FY21 to 0.35 times over 0.28 times in FY20. The total outstanding liability to tangible net worth improved to 0.61 times during FY21 as against 0.78 times in FY20. The debt-EBITDA improved to 1.76 times in FY21, led by increase in operating profit as against 2.07 times in FY20.

#### Healthy order book

The outstanding order book of the company remained at Rs.791.44 crore as on January 2022. The order book comprises of 13 orders with ticket size ranging between Rs.5.18-221.12 crore. The average tenor of work orders 2-5 years, thereby providing short-medium term visibility. The orders also have escalation clause for order with tenor above one-year w.r.t labor and material. The increase in labor cost is compensated as per CPI and materials as per WPI. The work order comprises of widening and upgradation of National Highways, improvement and road maintenance works in Bihar. The company executes entire order on its own and sub contracts semi-skilled and unskilled portion of work. The company has recently availed orders to be executed in Ladhak for National Highway on July 2021. The company does not receive any mobilization advance and retention money is 5% of bills raised. The work order is mainly executed for National Highway Authority of India and Road Construction Department.

#### Improvement in Gross Current Asset Days

The Gross Current Asset days (GCA days) improved to 84 days in FY21 as against 97 days in FY20, led by increase in total operating income during the year. The company raise the bill post the work certification and realizes the same within 2-3 days of raising bill. Hence, debtors' days remained at 2-4 days during FY20-21. The creditors days remained at 4-8 days during FY20-21. The working capital utilization for past 6 months ending March 2022 remained at 85.73%.

### Weaknesses

#### Moderation in total operating income in FY22

The total operating income of the company remained at Rs.210.55 crore (estimated), thereby reporting de-growth of ~26%. The same is mainly on account of delay in offtake of top two orders constituting ~55% of total order book from NHIDCL. The moderation in total operating income is due to delay in mobilisation of resources in Ladhak and also due to slow progress of work during November –February.

#### Volatility in revenue from toll segment

The company reported increase in revenue from toll segment from Rs.86.19 crore in FY20 to Rs. 127.03 crore, reporting y-o-y growth of 47.38% in FY21. However, the same moderated to Rs.110.0 crore in FY22, with de-growth of 13.41%. Hence, there is volatility w.r.t toll plaza segment, which constitute to around 36%-53% of total operating income.

#### Concentrated order book

The order book is concentrated with ~60 % of orders being executed for National Highway Authority of India, followed by Road Construction Department, Bihar. On geographical front,

the major portion of orders, top two order are being executed in Ladhak, followed by Bihar. Further, out of 13 orders, 10 orders are being executed in Bihar.

### ESG Factors Relevant for Rating

Not Applicable

### Rating Sensitivities

- >Significant improvement in order book with timely execution of top two orders.
- >Any elongation of the working capital cycle leading to deterioration in debt protection metrics and liquidity profile.
- >Any delay in execution of work orders and piling up of unbilled revenue

### Material covenants

None

### Liquidity Position: Adequate

The liquidity profile of the company continues to remain adequate with net cash accruals of Rs.15.54 crore as against debt obligation of Rs.4.91 crore during the year. The company maintained cash and bank balance of Rs.1.97 crore as on March 31, 2021. The current ratio improved to 2.30 times as on March 31, 2021 over 1.50 times as on March 31, 2020. The company had been availing term loan for the purchase of equipment, which would be repaid within 2-3 years. Further, the company is also expected to avail term loan of Rs.5-6 crore during FY23-24. The company is expected to report net cash accruals of Rs.14.58-Rs.24.0 crores during FY22-24 against the expected debt repayment of Rs.4-6 crore during the year.

### Outlook: Negative

Acuite believes that the outlook of TIPPL will remain 'Negative' over the medium term on account of risk associated with execution of top 2 orders in Ladakh. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while maintaining the profitability and successful execution of work orders. Conversely, the outlook may be revised to 'Stable' in case of company showing progress of execution of orders in Ladhak and decline in inventory outstanding

### Other Factors affecting Rating

Not Applicable

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	284.83	238.94
PAT	Rs. Cr.	10.43	7.23
PAT Margin	(%)	3.66	3.02
Total Debt/Tangible Net Worth	Times	0.37	0.44
PBDIT/Interest	Times	4.59	3.96

### 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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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
22 Feb 2021	Cash Credit	Long Term	30.00	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Bank Guarantee	Short Term	100.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Working Capital Demand Loan	Long Term	1.00	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	0.66	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Working Capital Demand Loan	Long Term	3.80	ACUITE BBB+   Stable (Assigned)
	Proposed Bank Facility	Long Term	1.08	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
28 Jan 2020	Bank Guarantee	Short Term	100.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	1.54	ACUITE BBB   Stable (Reaffirmed)
20 Jan 2020	Cash Credit	Long Term	18.00	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	88.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	3.26	ACUITE BBB   Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	0.74	ACUITE A3+ (Reaffirmed)
15 Nov 2018	Cash Credit	Long Term	18.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	3.26	ACUITE BBB   Stable (Assigned)
	Bank Guarantee	Short Term	88.00	ACUITE A3+ (Reaffirmed)
	Proposed Short Term Loan	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A2   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.22	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	0.01	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative
State Bank of India	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	3.30	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative
State Bank of India	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	0.01	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative

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### About Acuité Ratings & Research

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