



Press Release
TOPLINE INFRA PROJECTS PRIVATE LIMITED
September 20, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	59.98	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	114.56	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	174.54	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and its short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.174.54 Cr of bank facilities of Topline Infra Projects Private Limited (TIPPL). The outlook is '**Stable**'.

Rationale for Rating Reaffirmation

The rating reaffirmation takes into consideration the steady improvement in the business risk profile of the company reflected by operating revenues of Rs.260.47 Cr in FY2023(Prov.) against Rs.218.33 Cr FY2022 registering a Y-o-Y growth of ~19 percent during the period. Furthermore, the profitability of the company also remained healthy with operating profit margin of 10.60 percent and absolute profit after tax of Rs.11.15 Cr. in FY2023 (Prov.). TIPPL also has a healthy unexecuted order book position of Rs.601.90 Cr as of March 2023, reflecting revenue visibility in the near-medium term. However, ~50 percent of the unexecuted orders are from one single client which possess customer concentration risk. The rating also factors in the healthy financial risk profile of the company with healthy network, below unity gearing and comfortable debt-protection metrics.

However, the rating is constrained on account of working capital intensive operations, presence in highly competitive industry and tender based nature of operations.

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

Established operations in infrastructure industry with experienced management

The company was incorporated in 2004 with around two decades of established operations in the infrastructure industry. The promoters of TIPPL, Mr. Saurav Agarwal and Mr. Gaurav

Agarwal have extensive experience in the civil construction business which has enabled the company to obtain orders from reputed clientele reflected by unexecuted order book position of Rs.601.90 Cr. as on date. and register healthy revenue growth. Furthermore, the operating revenues of Rs.260.47 Cr in FY2023(Prov.) against Rs.218.33 Cr FY2022 registering a Y-o-Y growth of ~19 percent during the period. Furthermore, the profitability of the company also remained healthy with operating profit margin of 10.60 percent and absolute profit after tax of Rs.11.15 Cr. in FY2023 (Prov.).

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

Healthy financial risk profile

The financial risk profile of the company remained healthy marked by healthy networth, low gearing and comfortable debt protection matrices. The tangible networth of the company Rs.136.10 Cr. as on 31 March, 2023 (Prov.) as against Rs.124.95 Cr. same period last year. The improvement is led by increase in tangible net worth on account of accretion of profit to reserves. The debt-equity ratio continues to remain below unity and improved at 0.50 times as on March 31, 2023 (Prov) as against 0.65 times as on March 31, 2022. The total debt stood at Rs.68.48 Cr in FY2023(Prov) against Rs.81 Cr in FY2022. The debt consists of Rs.28.01 Cr long term loans and Rs.40.47 Cr short term debt. The interest coverage ratio improved to 4.40 times in FY2023(Prov) against 3.44 times in FY2022, led by increase in operating profit and lower finance cost. The net cash accruals to total debt improved in FY2023(Prov) to 0.26 times against 0.18 times in FY2022. The total outstanding liability to tangible net worth improved to 0.57 times during FY2023(Prov) as against 0.72 times in FY2022. The debt-EBITDA improved to 2.47 times in FY2023(Prov) against 3.32 times in FY2022.

Acuite believes that going forward the financial risk profile of the company is likely to remain healthy backed by steady accruals and no major debt funded capex plans.

Healthy order book position

The outstanding order book of the company stands at Rs.601.90 Cr as of March 2023. The order book comprises of 10 ongoing orders and one order where company has received LOA. The orders in hand are to be completed in next 2-3 years, thereby providing revenue visibility in the short-medium term. The orders also have escalation clause for orders with tenor above one-year w.r.t labour and material. The increase in labour 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 and West-Bengal. The company executes entire order on its own and subcontracts semi-skilled and unskilled portion of work. The top two orders with aggregate outstanding work orders of Rs.305.49 Cr, constitutes 50.75% of the total outstanding work order. These two orders pertain to widening and upgradation of National Highway in Leh Ladhak. It was awarded in July 2021, however there were delays in commencing the project on account of delays in receiving mobilisation advances. On clientele front, major portion of orders are executed for National Highway Authority of India followed by Road Construction Department of Bihar. As the major orders are being executed for NHAI, the bills are received within 2-3 days of raising the same. On geographical front, the major portion of orders, top two order are being executed in Ladakh, followed by Bihar.

Weaknesses

Intensive Nature of Working Capital Operations

The working capital operations of the company remained intensive with Gross Current Asset days (GCA days) of 148 days in FY2023(Prov) as against 184 days in FY2022. The GCA days are led by high inventory days of 117 days in FY2023(Prov) against 140 days in FY2022. The uncertified work is classified as work in progress under inventory. The company raises the bills post the work certification and realizes the same within 2-4 days of raising bill. Hence, debtors' days remained at 3 days during FY2023(Prov). The creditor days stood at 19 days in FY2023(Prov) against 40 days in FY2022. The credit period allowed by suppliers is usually up-to 30 days with advance payments to some. However, the fund-based working capital limit utilisation for past 6 months ending June 2023 stood moderate at 60.57%.

Tender based nature of operations and competitive industry

TIPPL executes government road construction/widening projects. The revenue of the company is highly dependent on the number and value of tenders floated by the Government. Since the nature of operations is tender based, the business depends on the ability to bid for contracts successfully. Acuite believes that the ability of the firm to maintain the scale of operations along with profitability would be the key rating sensitivity factor over the medium term.

Rating Sensitivities

Significant improvement in the scale of operations while maintaining the profitability.

Sustained order-book growth.

Further elongation in working capital cycle.

All Covenants

Not Applicable

Liquidity Position

Adequate

The liquidity profile of the company continues to remain adequate with moderate cash accruals and moderately utilised bank limits. The company generated cash accruals of Rs.17.64 Cr against repayment obligation of Rs.8.26 Cr in FY2023(Prov). The working capital management of the company is intensive with GCA days at 148 days in FY2023(Prov). However, the company draws comfort from moderately utilised fund-based working capital limits which stood at 60.57% for last 6 months ending June 2023. Going ahead, the company is expected to generate cash accruals in the range of Rs.22 Cr- Rs.26.61 Cr in FY2024 & FY2025 against repayment obligation of Rs.8.72 Cr and Rs.8.16 Cr respectively.

Outlook:Stable

Acuite believes that the outlook of TIPPL will remain 'Stable' over the medium term on account of healthy order book which provides near-medium term revenue visibility. 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 'Negative' in case delay in execution of outstanding orders and delayed realization of receivables resulting in further increase in GCA days.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	260.47	218.33
PAT	Rs. Cr.	11.15	7.74
PAT Margin	(%)	4.28	3.55
Total Debt/Tangible Net Worth	Times	0.50	0.65
PBDIT/Interest	Times	4.40	3.44

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

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
01 Jul 2022	Bank Guarantee	Short Term	8.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	30.00	ACUITE BBB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	100.00	ACUITE A2 (Reaffirmed)
	Working Capital Demand Loan	Long Term	0.01	ACUITE BBB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.24	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB+ Stable (Assigned)
	Working Capital Demand Loan	Long Term	3.30	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.01	ACUITE BBB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.98	ACUITE BBB+ Stable (Reaffirmed)
03 Jun 2022	Term Loan	Long Term	0.01	ACUITE BBB+ Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	0.01	ACUITE BBB+ Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	3.30	ACUITE BBB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	100.00	ACUITE A2 (Reaffirmed)
	Proposed Bank Facility	Long Term	3.22	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB+ Stable (Reaffirmed)
17 May 2022	Working Capital Demand Loan	Long Term	0.01	ACUITE BBB+ Negative (Reaffirmed)
	Working Capital Demand Loan	Long Term	3.30	ACUITE BBB+ Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	3.22	ACUITE BBB+ Negative (Reaffirmed)
	Bank Guarantee	Short Term	100.00	ACUITE A2 (Reaffirmed)
	Term Loan	Long Term	0.01	ACUITE BBB+ Negative (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB+ Negative (Reaffirmed)
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)
		Long		ACUITE BBB+ Stable (Upgraded from

	Term Loan	Term	0.66	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	Proposed Bank Facility	Short Term	0.74	ACUITE A3+ (Reaffirmed)
	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	16.00	ACUITE A2 Reaffirmed
Indusind Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A2 Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	72.00	ACUITE A2 Reaffirmed
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	28.00	ACUITE BBB+ Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	1.56	ACUITE A2 Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.98	ACUITE BBB+ Stable Reaffirmed

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About Acuité Ratings & Research

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