



Press Release

TPS Infrastructure Limited

Dec 11th, 2023

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	125.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	IVR BBB with Negative Outlook (Pronounced as IVR Triple B with Negative Outlook)	Re-affirmed with change in Outlook	Simple
Short Term Bank Facilities	40.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Re-affirmed	Simple
Total	165.00 (One Hundred and Sixty Five Crores Only)				

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings reaffirmed with change in outlook to the long-term & short-term bank loan facilities of TPS Infrastructure Limited.

The rating draws comfort from the established track record of operations and experienced management, reputed clientele, healthy book order, continuous funding support from promoters and improved financial risk profile during FY23(Audited). However, these strengths are partially offset by tender based nature of business and susceptibility of operating margin to volatile input prices & high average collection period and long outstanding debtors.

The stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that the company's business & financial risk profile will be maintained over the medium term. The company has good order book which provides revenue visibility in short to medium term.

IVR has principally relied on the standalone audited financial results of TPS Infrastructure Limited upto 31 March 2023 and Projected Financials for FY24, FY25 and FY26 and publicly available information/ clarifications provided by the entity's management.



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Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile. .
- Any further significant rise in working capital intensity or unplanned capex leading to any deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and long track record:

Mr. Virender Oberoi is the Managing Directors in the company and manage day to day operations. He is graduate in mechanical engineering with more than 30 years of experience in the field of engineering equipment and environmental control products. With a strong track record of quality and delivery, the company has established relationship with several customers.

Healthy order book position and moderate scale of operations:

The company holds an order book position of Rs. 191.13 Crore including Operations & maintenance of Rs. 27.21 Crore on 31st Oct 2023 which needs to be executed till March 2024, for customers like Bharat Aluminium Company, Metro waste Handling, Tata steel limited, provide stable revenue visibility in the medium term. Total operating income of the company has improved from Rs.227.20 crore in FY2022 to Rs. 242.16 crore in FY2023. However, the company is expected to achieve revenue of Rs.260.53 crore in FY2024, considering approximately 35%-40% of the revenue realized in the last quarter, besides the company is having a good order book position.



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Comfortable profitability margins:

Profitability ratios of the company improved for FY2023 marked by EBITDA margin of 11.81% and PAT margin of 5.19% as against 11.03% and 4.66% respectively in FY2022. The GCA of the company has stood at Rs.16.92 crore as on March 31st, 2023.

Moderate capital structure and debt coverage indicators:

Overall gearing of the company has remained comfortable at 0.44x as on March 31, 2023, compared to 0.48x as on March 31, 2022, due to accretion of profits to reserves. Similarly, ISCR of the company has improved to 3.79x for FY2023 compared 3.11x in FY2022. DSCR of the company remained comfortable at 2.54x in FY2023. Total Debt/GCA of the company has improved to 4.15x for FY2023 compared to 5.80x in FY2022.

Geographical diversification and niche segment:

The company operates in a very niche segment of manufacturing of engineering equipment for municipal bodies and & other private customers and caters to orders throughout India. With the rapid urbanization as well as formation of numerous new urban local bodies / municipalities / authorities along with government initiatives of smart cities & 'Swachh Bharat Mission', the company is expected to capitalize on the growing opportunity. The company's primary focus is on mechanized waste management.

Key Rating Weaknesses

Highly working capital-intensive operations due to stretched receivables:

The average cash conversion cycle for the last 3 years has been of around 237 days owing to large receivable periods from various government municipalities. Conversion cycle moderately improved to approximately 234 days in FY23 (239 days in FY22) mainly due to debtor period of approximately 180 days in FY23 (224 days in FY22). However, it is an intrinsic nature of this business where debtors are mainly government entities and average receivable period has been 237 days over the last 3 fiscal years.



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Nascent stage of industry:

The industry is in the initial growth stage and due to low barriers, entry of other organized and unorganized players, including importers may result in intense competition in the sector.

Volatility in revenues by the virtue of tender-based business:

The company has to participate in tenders to procure orders. Future business is, therefore, dependent on success achieved in the tenders and the company may face volatility in revenues owing to the tender-based nature of the business which can affect the total operating income and profitability margins during the coming years owing to uncertainty associated with new order inflows, risks of delays in execution etc.

Analytical Approach: Standalone

Applicable Criteria :

[Rating Methodology for Manufacturing Entities](#)
[Financial Ratios & Interpretation Non- Financial Sector](#)
[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The company has adequate liquidity marked by adequate Gross cash accruals to its maturing debt obligations. The company's liquidity position is adequate, supported by cash and bank balances of Rs. 0.27 crore as on March 31, 2023. The Company generated expected Gross cash accruals of Rs. 18.29 crore to Rs. 23.61 Crore for FY2024-FY26 while its maturing debt obligations were Rs. 0.65 crore – Rs 0.62 Crore for the same period. The average Maximum fund-based limit Utilisation for the last 8 months ended Sep 2023 stood at 77.39%. The current ratio stood at 1.76x as on March 31st, 2023.



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About the Company

Incorporated in 1985, TPS Infrastructure Limited (TPS) is into manufacturing of Engineering and Infrastructure equipment. Primarily equipment required for “SWACHH BHARAT” related to Solid Waste, Liquid Waste management, Road Sweeping machines for Pollution Control, Industrial Vacuum cleaning systems upto 400HP and other specialised equipment for Cement, Steel, Aluminium Smelter, Airports, Air force, Sea Ports, and other Industrial sectors. Company also undertakes Operation & Maintenance and provides on-site technical support for these equipment. Company has the main manufacturing plant located in Bhiwadi (Rajasthan). Company is an ISO-9001-2008 Certified company. Company has diversified product range, and thus, act as one stop shop for the products as well as provide O&M, supported by offices across India. Company has sales offices at Delhi, Mumbai, Chennai, Kolkata and Jamshedpur, as well as Engineers located at Bhubaneswar, Jharsuguda, Ahmedabad, Bhilai, Korba, Bangalore and Guwahati, which ensures company can cater to requirement of clients across India. Company’s products are Engineered as per order specifications of customers.

Financials (Standalone):

	(Rs. crore)	
For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	227.20	242.16
EBITDA	25.06	28.59
PAT	10.64	12.65
Total Debt	73.49	70.28
Tangible Net worth*	151.85	160.31
EBITDA Margin (%)	11.03%	11.81%
PAT Margin (%)	4.66%	5.19%
Overall Gearing Ratio (x)	0.48x	0.44x

**as per Infomerics standards*

Status of non-cooperation with previous CRA : BWR Ratings has moved the company on INC category vide press release dated Aug 30th, 2023 due to non-submission of information,



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Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 Date: Mar 28, 2023	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Cash Credit	Long Term	56.50	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	IVR BBB with Negative Outlook (Pronounced as IVR Triple B with Negative Outlook)	-	-
2	Bank Guarantee*	Long term	68.50	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	IVR BBB with Negative Outlook (Pronounced as IVR Triple B with Negative Outlook)	-	-
3	LC/BG	Short Term	40.00	IVR A3 (IVR Single A Three)	IVR A3 (IVR Single A Three)	-	-

Name and Contact Details of the Rating Analyst:

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration



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from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit				56.50	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)
Long Term Bank Facilities – Bank Guarantee*				68.50	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)
Short Term Bank Facilities- LC/BG				40.00	IVR A3 (IVR Single A Three)

*Tenure is more than 12 Months

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-TPS-dec23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com