



## Press Release

### TPS Infrastructure Limited

**March 28, 2023**

#### **Ratings**

Instrument Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long term Bank Facilities –	125.00	IVR BBB with Negative Outlook (IVR Triple B With Negative Outlook)	Assigned	Simple
Short Term Bank Facilities	40.00	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>165.00 (Rupees One Hundred and Sixty Five Crore Only)</b>			

#### **Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

Infomerics Valuation and Rating Private Limited (IVR) has assigned long-term rating of IVR BBB with a Negative outlook and short-term rating of IVR A3 for the bank loan facilities of TPS Infrastructure Limited .

The rating draws comfort from the established track record of operations and experienced management, reputed clientele, healthy order book, continuous funding support from promoters and improved financial risk profile during FY2022 (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.

IVR has principally relied on the standalone audited financial results of TPS up to 31 March 2022, 9MFY2023 provisional results and projected financials for FY2023, FY2024 and FY2025, and publicly available information/ clarifications provided by the company's management.

#### **Key Rating Sensitivities:**



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### 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 and improvement in the collection period.

### 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. 131.94 Crore (including Operations & maintenance order of Rs. 23.12 Crore) on 31<sup>st</sup> Jan 2023 which needs to be executed till July 2023, for customers like Rourkela steel plant, Municipal corporation of Delhi, Tata steel limited, JSW Jaigarh Port., provide stable revenue visibility in the medium term. Total operating income of the company has improved from Rs.213.63 crore in FY2021 to Rs. 227.21 crore in FY2022. However, the company is expected to achieve revenue of Rs.253.58 crore in FY2023. considering approximately 35%-40% of the revenue realized in the last quarter, besides the company is having a good order book position.

**Comfortable profitability margins:** Profitability ratios of the company improved for FY2022 marked by EBITDA margin of 11.03% and PAT margin of 4.66% as against 10.49% and 4.21% respectively in FY2021. The GCA of the company has stood at Rs.12.67 crore as on March 31<sup>st</sup>, 2022.



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**Moderate capital structure and debt coverage indicators:** Overall gearing of the company has remained moderate at 0.48x as on March 31, 2022, compared to 0.49x as on March 31, 2021, due to accretion of profits to reserves. Similarly, ICR of the company has improved to 3.11x for FY2022 compared 2.72x in FY2021. DSCR of the company remained moderate at 1.98x in FY2022. Total Debt/GCA of the company has improved to 5.80x for FY2022 compared to 6.06x in FY2021.

**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 193 days owing to large receivable periods from various government municipalities. Conversion cycle is elongated to approximately 239 days in FY22 (238 days in FY21) mainly due to high debtor period of approximately 224 days in FY22 (213 days in FY21). However, it is an intrinsic nature of this business where debtors are mainly government entities and average receivable period has been 173 days over the last 3 fiscal years.

**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. New 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



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### Applicable Criteria :

[Rating Methodologies 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. 0.28 crore as on March 31, 2022. The Company generated Gross cash accruals of Rs. 14.85 crore for FY2023 while its maturing debt obligations were Rs. 1.68 crore for the same period. The cash accruals of the Company are estimated to remain in the range of around Rs. 14.85 Crore to Rs.18.58 Crore during FY 2023-25. The average Maximum fund-based limit Utilisation for the last 12 months ended December 2022 stood at 80.57%. The adjusted current ratio stood at 1.52x as on March 31<sup>st</sup>, 2022.

### **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.

### Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2021	31-03-2022
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	213.63	227.20



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For the year ended* As on	31-03-2021	31-03-2022
EBITDA	22.41	25.06
PAT	9.06	10.64
Total Debt	69.40	73.49
Tangible Net worth*	141.64	151.85
EBITDA Margin (%)	10.49%	11.03%
PAT Margin (%)	4.21%	4.66%
Overall Gearing Ratio (x)	0.49x	0.48x

\*as per Infomerics standards

**Status of non-cooperation with previous CRA :** BWR Ratings has moved the company on INC category vide press release dated March 14<sup>th</sup>, 2023 due to non-submission of information.

**Any other information:** Nil

**Rating History for last three years:**

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash credit	Long Term	56.50	IVR BBB with Negative Outlook (IVR Triple B With Negative Outlook)	-	-	-
2.	BG*	Long Term	68.50	IVR BBB with Negative Outlook (IVR Triple B With Negative Outlook)			
3	LC/BG	Short Term	40.00	IVR A3 (IVR A Three)			

\*Tenure is More than 12 Months.

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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
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Long term Bank Facilities – Cash Credit	-	-	-	56.50	IVR BBB with Negative Outlook (IVR Triple B With Negative Outlook)
Long term Bank Facilities – BG*				68.50	IVR BBB with Negative Outlook (IVR Triple B With Negative Outlook)
Short term Bank Facilities – LC/BG				40.00	IVR A3 (IVR 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-mar23.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](http://www.infomerics.com)