



## Press Release

### TSR Nirmaan Private Limited

**March 27, 2024**

#### Ratings

Facilities	Amount (Rs. Crore)	Current Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	41.00	IVR BBB-/ Positive (IVR triple B minus with positive outlook)	Upgraded from IVR BB+/ Negative ISSUER NOT COOPERATING*(IVR double B plus with Negative Outlook Issuer Not Cooperating) and removed from 'Issuer Not Cooperating' category; Rating Outlook Revised	Simple
Short Term Bank Facilities	209.00	IVR A3 (IVR A three)	Upgraded from IVR A4+ ISSUER NOT COOPERATING* (IVR A four plus Issuer Not Cooperating) and removed from 'Issuer Not Cooperating' category; Rating Outlook Revised	Simple
<b>Total</b>	<b>250.00 (Rs. Ninety- five crore and fifty lakhs only)</b>			

*\*Issuer did not cooperate; based on best available information*

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

Infomerics had moved the ratings of TSR Nirmaan Private Limited (TNPL) to Issuer Not Cooperating category vide its press release dated January 18, 2024, because of non-submission of required information. However, the entity has started cooperating and submitted the required information. Consequently, the ratings have been removed from 'ISSUER NOT COOPERATING' category and revised.



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The revision in the ratings assigned to the bank facilities of TSR Nirmaan Private Limited (TNPL) considers experienced promoters in the construction industry, increase in the topline and profit in FY23 and 9M FY2024 (provisional), conservative capital structure along with comfortable coverage indicators and healthy order book position. The rating strengths are offset by elongated working capital cycle, high client concentration risk, project execution risk inherent in infrastructure projects and highly fragmented and competitive nature of the industry.

The revision in the long-term rating outlook from Negative to Positive is due to the expected improvement in the overall financial performance of the company during FY2024 and going forward.

### **Key Rating Sensitivities:**

#### **Upward factors**

- Growth in scale of operations with improvement in profitability and gross cash accrual on a sustained basis
- Improvement in working capital management with improvement in liquidity

#### **Downward factors**

- Moderation in operating income and/or profitability and cash accrual impacting the debt protection metrics on a sustained basis
- Any increase in debt levels leading to an increase in the gearing levels of more than 1x

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

- **Experienced promoters in the construction industry**

The promoter of the company, Mr. T Suresh Kumar Reddy, is a civil engineer by profession has been in the construction industry for nearly three decades and has demonstrated track record of getting repeated orders from Government departments.

- **Increase in the topline and profit in FY23 and 9M FY2024 (provisional)**



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In FY2023 the company witnessed a significant growth in topline, which has consequently led to an increase in profits and GCA. The company witnessed improvement in total operating income by ~30% to Rs.227.69 crore in FY23 backed by healthy order book and smoother execution of projects. Led by an increase in topline, the profit of the company also showed an improvement. EBITDA and PAT increased y-o-y by 38.87% and 30.28%, respectively to Rs. 28.23 crore and Rs. 12.75 crore, respectively, in FY23. Consequently, GCA also improved by 37.2% y-o-y to Rs. 16.66 crore. Furthermore, higher execution of projects continued to sustain in 9MFY24 resulting in the company recording revenues of Rs. 215.85 crore up ~51% y-o-y on the back of higher execution of orders, in comparison to revenue recognised of Rs 142.82 crores in 9MFY23. A sustained increase in topline and profits, led by unhindered execution of projects will be a key rating factor going forward.

- **Conservative capital structure and comfortable coverage indicators**

The company's capital structure consisted of total debt of Rs. 76.70 crore as on March 31, 2023, up from Rs. 47.67 crore as on March 31, 2022. The increase in total debt was on account of equipment loans of ~Rs. 36 crore in FY23, which was undertaken by the company to execute projects. The investment in additional machinery will aid the company to bid for more projects in the near term and also to reduce various costs. The net worth of the company increased to Rs. 76.80 crore up from Rs. 64.05 crore due to accretion in reserves due to profits earned by the company. Solvency indicators like overall gearing ratio witnessed marginal moderation to 1.00x as on March 31, 2023, from 0.74x as on March 31, 2022, driven by increase in total debt due to additional equipment loans availed. Furthermore, total indebtedness as depicted by TOL/TNW also witnessed marginal moderation to 1.62x as on March 31, 2023, from 1.57x as on March 31, 2022.

- **Healthy order book position**

The company had unexecuted order book of Rs. 1010.18 crore as on December 31, 2023, which will be executed over the next two years. The order book is 4.44 times of FY23 revenues which provides good revenue visibility over the medium term.

### Key Rating Weaknesses

- **Elongated working capital cycle**



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The company's working capital remained elongated at 182 days in FY23, (PY: 181 days). The stretched working capital cycle is due to high inventory holding period. Inventory holding period stood at 98 days in FY23 in comparison to 100 days in FY22.

- **High client concentration risk**

The company derives revenues from infrastructure construction projects, which comes primarily from Railways and NHAI contributed ~90% of the overall turnover in FY23. This exposes the company to client concentration risk. However, since the orders are from government authorities, the counterparty risk is mitigated to a certain extent. Nevertheless, there is negligible counterparty risk since the contracts are from Government departments.

- **Project execution risk inherent in infrastructure projects**

TSRNPL is exposed to inherent risk in terms of delays in certain projects undertaken by the company such as delay in approvals and sanction from regulatory bodies, land acquisition issues, unavailability of right of way amongst others. The same may expose the company towards the risk of delay in execution.

- **Highly fragmented and competitive nature of the industry**

The civil construction sector in India is highly fragmented with presence of many mid and large-sized players. Increase in competition on the back of bid driven nature of the business and relaxation in the pre-qualification criteria by some of the nodal agencies has resulted in aggressive bidding by many construction companies during the last few years.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

[Default Recognition Policy](#)



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### **Liquidity – Adequate**

The liquidity position of the company is adequate marked by its expected gross cash accruals as against debt obligations from FY24-FY26. The bank limit utilization remains moderate at an average of around ~86% over the 12 months ended February 2024. Also, the current ratio stood moderate at 1.44 times as on March 31,2023. Further, absence of any capex plans in the near term provides further comfort to the liquidity position.

### **About the company**

Based out of Hyderabad, TSR Nirmaan Private Limited, undertakes civil construction contracts primarily in railways and has recently ventured into road construction contracts. The promoter of the company, Mr. T Suresh Kumar Reddy, a civil engineer and has nearly three decades of experience in civil construction project. Its projects cover a range of infrastructural work including track reconstruction, construction of railway tunnels, high embankment works, deep cut in hard rock works, minor and major bridges including rail under bridge (RUB)/rail over bridge (ROB), manufacturing and installation of steel girders, fabrication and erection of steel grinders, amongst others. TSRNPL also undertakes tender based projects pertaining to road construction from NHAI. Besides this, TSRNPL is also RDSO (Research design and standard organization) approved vendor for steel girders.

### **Financials (Standalone):**

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	175.21	227.69
EBITDA	20.33	28.23
PAT	9.79	12.75
Total Debt	47.67	76.70
Tangible Net worth (including quasi equity)	64.05	76.80
EBITDA Margin (%)	11.60	12.40
PAT Margin (%)	5.57	5.57
Overall Gearing Ratio (x)	0.74	1.00

*\*As per Infomerics' Standards*

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**



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Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Rating (January 18, 2024)	Date(s) & Rating(s) assigned in 2022-23 (December 08, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Cash Credit	Long Term	36.00 <sup>^</sup>	IVR BBB-/Positive	IVR BB+ (ISSUER NOT COOPERATING)/ IVR A4+ (ISSUER NOT COOPERATING)	IVR BBB-/Stable	-	-
2	Overdraft	Long Term	5.00	IVR BBB-/Positive	IVR BB+ (ISSUER NOT COOPERATING)/ IVR A4+ (ISSUER NOT COOPERATING)	IVR BBB-/Stable	-	-
3	Bank Guarantee	Short Term	209.00 <sup>^^</sup>	IVR A3	IVR A4+ (ISSUER NOT COOPERATING)	IVR A3	-	-

*\*Issuer did not cooperate; based on best available information*

*<sup>^</sup>includes proposed cash credit of Rs. 11.00 crore*

*<sup>^^</sup>includes proposed bank guarantee of Rs. 82.00 crore*

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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 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](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.



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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
Cash Credit 1	-	-	-	20.00	IVR BBB-/Positive
Cash Credit 2	-	-	-	5.00	IVR BBB-/Positive
Proposed Cash Credit	-	-	-	11.00	IVR BBB-/Positive
Overdraft 1	-	-	-	3.00	IVR BBB-/Positive
Overdraft 2	-	-	-	2.00	IVR BBB-/Positive
Bank Guarantee 1	-	-	-	50.00	IVR A3
Bank Guarantee 2	-	-	-	20.00	IVR A3
Bank Guarantee 3	-	-	-	18.00	IVR A3
Bank Guarantee 4	-	-	-	39.00	IVR A3
Proposed Bank Guarantee	-	-	-	82.00	IVR A3

**Annexure 2: List of companies considered for consolidated analysis:** Not applicable

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-TSR-Nirmaan-mar24.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)