Press Release

TSR Nirmaan Private Limited

December 8, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	41.00 (includes proposed limit of Rs. 11.00 crore)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Assigned	Simple
Short Term Bank Facilities	209.00 (includes proposed limit of Rs. 82.00 crore)	IVR A3 (IVR A three)	Assigned	Simple
Total	**250.00 (INR two hundred and fifty crore only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of TSR Nirmaan Private Limited (TNPL) derives strength from experienced promoters, increase in the topline and profit in FY22, conservative capital structure and comfortable coverage indicators and a healthy order book position. However, the ratings are constrained on account of elongated working capital cycle, high client concentration risk, project execution risk inherent in infrastructure projects and a highly fragmented and competitive nature of the industry.

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

- Stretch in the working capital cycle driven by pile-up of inventory or stretched receivables impacting the financial risk profile, particularly liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

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 FY22**

In FY2022 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 ~22% to Rs.173.56 crore in FY22 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 35.59% and 35.39%, respectively to Rs. 20.06 crore and Rs. 9.79 crore, respectively, in FY22. Consequently, GCA also improved by 37.2% y-o-y to Rs. 12.71 crore. During 7M FY23 the company recorded revenues of Rs. 102.82 crore up 52% y-o-y on the back of higher execution of orders. 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 capital structure of the company looks comfortable with long term debt equity ratio of 0.35x, overall gearing ratio of 0.72x and TOL/TNW of 1.57x as on March 31, 2022 compared with long term debt equity ratio of 0.23x, overall gearing ratio of 0.64x and TOL/TNW of 1.29x as on March 31, 2021. The debt protection metrics of the company are quite strong, primarily due to increase in profits and GCA. The interest coverage ratio was 3.49x in FY22 (3.22x in FY21), DSCR was 2.13x in FY22 (PY: 2.06), Total debt / GCA was 3.78x in FY22 (3.94x in FY21). Long term debt/EBIDTA was 1.13x in FY22 (0.86x in FY21), due to an increase in long term debt which were equipment loans taken in FY22 for execution of projects.

- **Healthy order book position**

The company had unexecuted order book of Rs. 958.23 crore as on November 1, 2022, which will be executed over the next 14-15 months. The order book is 5.5 times of FY22 revenues which provides good revenue visibility over the medium term.

Key Rating Weaknesses

- **Elongated working capital cycle**

The company's working capital remained elongated at 129 days in FY22, (PY: 126 days). The stretched working capital cycle is due to increase in inventory holding period, coupled with a decline in creditors payment period, partly offset by a decline in average collection period. There was an increase in inventory levels as of March 31, 2022, resulting in increased inventory days to 100 days (PY: 85 days). Gross Current Asset (GCA) days deteriorated to 233 days in FY22 from 224 days in FY21.

- **High client concentration risk**

The company derives revenues from infrastructure construction projects, which comes primarily from Indian Railways (65%) and National Highway Authority of India (35%). This exposes the company to client concentration risk. 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 of assigning rating outlook]

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate in the near to medium term with sufficient accruals and to meet the term debt repayment in the period FY23-FY25. The average fund based utilisation for the past twelve months ended October, 2022 remained moderate at ~85% indicating a moderate cushion. With an overall gearing of 0.72x as on March 31, 2022, the company has some headroom, to raise additional debt for its funding requirements. Absence of any debt funded capex 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. Mr. T Suresh Kumar Reddy, a civil engineer and has nearly three decades of experience in civil construction project. Railways constitutes ~75% of company 's turnover. 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 is RDSO (Research design and standard organization) approved vendor for steel grinders

Financials (Standalone):

(Rs. Crore)

For the year ended* / As on	**31-March-21 (Audited)**	**31-March-22 (Audited)**
Total Operating Income	143.43	175.21

EBITDA	14.79	20.06
PAT	7.23	9.79
Total Debt	34.94	45.95
Tangible Net-worth	54.26	64.05
EBITDA Margin (%)	10.31	11.45
PAT Margin (%)	5.01	5.57
Overall Gearing Ratio (x)	0.64	0.72

******Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (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	36.00	IVR BBB-/ Stable	-	-	-
2.	Overdraft	Long Term	5.00	IVR BBB-/ Stable	-	-	-
3.	Bank Guarantee	Short Term	209.00	IVR A3	-	-	-

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About Infomerics Ratings:

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.

Press Release

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.

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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 A-/ Stable
Cash Credit 2	-	-	-	5.00	IVR A-/ Stable
Proposed Cash Credit 3	-	-	-	11.00	IVR A-/ Stable
Overdraft 1	-	-	-	3.00	IVR A-/ Stable
Overdraft 2	-	-	-	2.00	IVR A-/ Stable
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
Bank Guarantee 5	-	-	-	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-dec22.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