



Press Release

Tassos Construction Private Limited

January 04, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicators
Long Term Bank Facilities	35.00	IVR BB- / Stable Outlook [IVR Double B minus with Stable Outlook]	Assigned	Simple
Long Term / Short Term Bank Facilities - Proposed	20.00	IVR BB- / Stable Outlook & IVR A4 [IVR Double B minus with Stable Outlook & IVR A Four]	Assigned	Simple
Total	55.00 (Rupees Fifty-Five Crore Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Tassos Construction Private Limited derives strength from experienced promoters, proven projects execution capability, order book reflecting satisfactory medium-term revenue visibility, healthy growth in revenue. The rating is however constrained by moderate capital structure and debt coverage indicators, geographical and sectorial concentration risk, susceptibility of operating margin to volatile input prices, tender driven nature of business with highly competitive intensity.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in scale of operation along with profitability margins, thereby leading to improvement in cash accruals and net worth base.
- Improvement in capital structure and debt protection metrics

Downward Factors

- Any delays in execution of projects impacting the scale of operations and impairment in profitability affecting the liquidity position



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoter

Tassos Construction Private Limited (TCPL) is promoted by Mr. Namankumar Trapsia in 2019. He has experience of around a decade in the construction industry and is well assisted by a team of experienced professionals. Further, the two promoters' extensive experience has added in their ability to build relationships with suppliers and clients and to obtain repeat business.

Order book reflecting satisfactory medium-term revenue visibility

The company has a total unexecuted order book of ~INR 379 crore as on September 31, 2022, which is about 2 times of its FY22 (Audited) of operating revenue (i.e., ~INR 109.91 crore). The completion of the projects is expected within next 12-24 months, indicating a satisfactory medium term revenue visibility.

Healthy growth in revenue

The Company's top line witnessed an increasing trend in past years i.e., FY21 (A) to FY22 (A) as the total operating income grew to Rs. 109.91 crore in FY22 from that of Rs. 24.06 crore in FY21, registering a healthy year on year growth of ~465% during FY21-22. Such growth in revenue was driven by higher execution of order.

Key Rating Weaknesses

Geographical and sectorial concentration risk

The present order book is majorly skewed towards civil construction in the State of Bihar from various government departments indicating a geographical and sectorial concentration risk. However, the company has adequate experience in executing government projects which provides a comfort.



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Moderate capital structure and debt coverage indicators

The overall gearing ratio stood at 10.00x as on March 31, 2022, as against 87.08x in FY21. The TOL/TNW had also stood elevated at 21.51 times as on March 31, 2022 (vis-à-vis 120.28 times as on March 31, 2021) though improving from previous year which was mainly due to increase in net worth as a result of infusion of profits in the current year. Company's debt coverage indicators stood modest with interest coverage ratio and total debt to gross cash accruals at 1.75 times and 11.08 times respectively as on March 31, 2022 (vis-à-vis 1.64 times and 88.72 times respectively as on March 31, 2021), mainly on account of improved profitability of the company.

Susceptibility of operating margin to volatile input prices

Major raw materials used in civil construction activities are steel and cement which are usually sourced from large players/dealers at proximate distances. The raw material & labour cost forms the majority chunk of the total cost of sales in this industry. As the raw material prices & labour cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour cost. However, presences of escalation clause (for raw materials) in most of the contracts protect the margin to an extent.

Tender driven nature of business with highly competitive intensity

The company participates in the tender passed by the government for civil construction related projects. Hence, the entire business prospects are highly dependent on the government. The business volume remains high in the years when there are government tenders and vice versa. The construction industry is highly fragmented in nature with presence of large number of unorganized players and a few large, organized players.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Criteria on Rating Outlook](#)

[Rating Methodology for Infrastructure Companies](#)

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



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Liquidity – Stretched

The liquidity profile of TCPL is expected to remain stretched marked by its expected satisfactory cash accrual in the range of ~Rs. 2 to Rs. 7 crores during FY22-25 making room for the debt repayment obligation during the same period. The average working capital utilisation of the company remained high at 94% during the past 12 months ended on September 30, 2022. The interest coverage ratio and DSCR is comfortable with 1.75x and 2.04x respectively during FY22(A). Further, the company has no planned capex which imparts more comfort to its liquidity.

About the Company

Tassos Construction Private Limited (TCPL) was incorporated in 2019 by Mr. Namankumar Trapsia. Company is engaged in the subcontracting business of civil construction work like water supply, sewerage networks, storm water, underground pipeline works, and irrigation networks. The company specializes in water supply and sewage work. The company's registered office is in Ahmedabad, Gujarat. The majority of the work orders the company is now receiving are for the construction of infrastructure in the state of Bihar, however it has previously completed projects in Gujarat.

Financials (Standalone)*:

(Rs. Crore)

For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)
Total Operating Income	24.06	109.91
EBITDA	1.66	6.95
PAT	0.34	2.06
Total Debt	30.34	24.13
Tangible Net worth	0.35	2.41
EBITDA Margin (%)	6.89	6.32
PAT Margin (%)	1.43	1.88
Overall Gearing Ratio (times)	87.08	10.00

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: None



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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.	Long Term Bank Facility – Cash Credit	Long Term	35.00	IVR BB- / Stable Outlook	–	–	–
2.	Long Term / Short Term Bank Facility – Proposed	Long Term / Short Term	20.00	IVR BB- / Stable Outlook / IVR A4	–	–	–

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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.



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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
Fund Based – Cash Credit	-	-	-	35.00	IVR BB- Stable Outlook
Proposed	-	-	-	20.00	IVR BB- Stable Outlook / IVR A4

Annexure 2: List of companies considered for consolidated analysis: Nil

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Tassos-Construction-jan23.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