



Press Release

Tirupati Build-Con Private Limited

July 19, 2022

Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	48.38 (enhanced from 32.15)	IVR BBB+; Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed	Simple
Long-Term/Short- Term Bank Facilities	0.05 (reduced from 1.47)	IVR BBB+; Stable/ IVR A2 (IVR Triple B Plus with Stable Outlook / IVR A Two)	Reaffirmed	Simple
Short-Term Bank Facilities	180.00 (enhanced from 83.00)	IVR A2 (IVR A Two)	Reaffirmed	Simple
Total	228.43 (Rs. Two Hundred Twenty Eight crore and Forty-three lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Tirupati Build-Con Private Limited (TBPL) continues to derive comfort from its long track record of operation under experienced promoters, proven project execution capability, presence of escalation clause in the contracts to protect its margins, association with reputed clientele albeit exposure to customer concentration risk, healthy order book giving visibility to revenue in the near to medium term, stable financial performance and comfortable capital structure with healthy debt coverage indicators. These rating strengths are partially offset by susceptibility of its profitability to volatile input prices, presence in a highly competitive industry and tender driven nature of the business, exposure to geographical concentration risk and working capital intensive nature of its business.

Key Rating Sensitivities:

Upward factors

- Growth in scale of operations on a sustained basis and consequent improvement in profitability
- Increase in geographical diversification
- Sustenance of the capital structure with improvement in debt protection metrics
- Improvement in working capital management leading to improvement in liquidity



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Downward Factors

- Moderation in scale of operations and/or profitability impacting the debt protection metrics
- Moderation in the capital structure with moderation in the overall gearing to over 1x
- Increase in working capital intensity impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of operation under experienced promoters**

Mr. Padam Kumar Singhania, M.com and LLB by qualification, Managing Director and the promoter of the company has rich professional experience of more than 35 years in the construction industry. This apart, he is assisted by other director Mr. Harshvardhan Singhania & other family members namely Mr. Aakashdeep Singhania and Mr. Adityavikram Singhania and a team of experienced personnel. Long experience of the promoters in construction industry has led to the established position of the company in Madhya Pradesh and Chhattisgarh region.

- **Proven project execution capability**

TBPL was established in the year 1983 by Mr. Padam Kumar Singhania as a partnership firm which was engaged in infrastructure development projects. Later, in the year 2003, TBPL was restructured to a private limited company. TBPL is registered as Class I-A contractor with PWD of Madhya Pradesh and Chhattisgarh has a satisfactory contract completion track record. Being in civil construction works since 1983, TBPL, has a considerable experience and a proven track record. The repeat orders received from its clientele validate its construction capabilities.

- **Presence of escalation clause in the contracts**

The orders for which the company bids for, has the cost escalation clause for raw materials and labour are in place. Thus, it shields the company from raw material and price movements and maintains the margin to an extent. Accordingly, impact of raw material price increase is mitigated to an extent. In all current contracts, the company have cost escalation clause in place. Further, the company has a mining lease of quarry of 'Solid Black Material/Dolerite stone' which is used as raw material.

- **Reputed clientele albeit customer concentration**



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The company is engaged in civil construction, and it majorly undertakes the EPC projects for the PWD, Water Resources Department of Madhya Pradesh and Chhattisgarh, Madhya Pradesh Road Development Corporation and NHAI. Since majority of the projects are funded under Government departments, imparts comfort with low counterparty risk.

- **Healthy order book giving visibility to revenue in the medium term**

TBPL has a strong order book position comprising multiple contracts aggregating to Rs 737.24 Crore as on January 31, 2022, (which is around 2.93 times of FY21 revenue of Rs.248.93) to be executed within next 12-18 months, indicating a satisfactory near to medium term revenue visibility.

- **Stable financial performance**

The company has registered growth at a CAGR of ~32% during FY18-20 and the total operating income (TOI) moved from Rs.142.31 crore in FY18 to Rs.248.74 crore in FY20. However, during FY21, TOI of the company remained stagnant at Rs.248.93 crore mainly due to impacted operations attributable to COVID pandemic and consequent lock down in the country. Further in FY22 the company has estimated a moderation in its topline to ~Rs.211 crore. The moderation is due to impacted operation in Q1FY22 due to pandemic and labour shortage thereafter leading to lower execution of works. The profit margins of the company remained satisfactory over the years in the range of around 10.5%-12% during FY19-21 and estimated to remain around 10.7% in FY22. The net profit margin of the company remained satisfactory over the aforesaid period.

- **Comfortable capital structure with healthy debt coverage indicators**

The capital structure of TBPL had been comfortable over the years and improved further in FY22 backed by gradual repayments of term loans and healthy TNW position as marked by below unity debt to equity ratio and overall gearing ratio at 0.05x and 0.18x respectively as on March 31, 2021. Due to reduced absolute EBITDA, debt protection parameters marked by interest coverage ratio has moderated marginally to 4.88x in FY21 from 5.62x in FY20. Total indebtedness of the company as marked by Total Outside Liabilities over Tangible Net worth has improved and remained comfortable at 0.48x as on March 31, 2021, against 0.64x of March 31, 2020.

Key Rating Weaknesses:

- **Susceptibility of profitability to volatile input prices**



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Major raw materials used in construction activities are steel and cement which are usually sourced from large players at proximate distances. The input prices are generally volatile and consequently the profitability remains susceptible to fluctuation in input prices. However, presences of escalation clause in most of the contracts imparts comfort to an extent.

- **Presence in a highly competitive industry and tender driven nature of the business**

Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the ability to successfully bid for the tenders as entire business is tender based. The domestic infrastructure/construction sector is highly fragmented with presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output.

- **Geographical concentration risk**

The company participates in tender and executes its projects service to various departments only in the states of Madhya Pradesh and Chhattisgarh. Hence, geographical diversification is limited.

- **Working capital intensive nature of business**

The operation of the company is highly working capital intensive due to long term nature of contract as a huge amount of money is blocked as retention money which are released only after the completion of certain stage of work. The average working capital utilization is high at around 89% during last 12 months ending in March 2022, which imparts moderate liquidity buffer.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

Liquidity: Adequate

The liquidity profile of TBPL is expected to remain adequate marked by its expected satisfactory cash accrual around~Rs.19.90 crore to Rs.27.23 crore vis a-vis its debt repayment obligations ranging from Rs.6.99 crore to Rs.3.21 crore during FY23-25. Further,



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on the back of its comfortable capital structure, the company has adequate gearing headroom. Further, the average working capital utilisation is moderate at ~89% during last 12 months ending in June 2022, which imparts moderate liquidity buffer.

About the Company

TBPL was established in the year 1983 as a Partnership company by one Mr. Padam Kumar Singhania along with other partners. Later, in the year 2003, the company was incorporated and rechristened as TBPL. The company is based in Madhya Pradesh, however, registered office is located in Kolkata.

TBPL is engaged in civil construction works like roads, bridge, irrigation projects for Public Works Department (PWD) and Water Resource Department of Government of Madhya Pradesh and Chhattisgarh. This apart, the company also takes projects of Madhya Pradesh Power Generation Authority Limited, Madhya Pradesh Rural Road Development Corporation, National Highway Authority of India (NHAI) etc. The company is registered as Class I-A contractor with PWD of Madhya Pradesh and Chhattisgarh.

Day to day affairs of the company is look after by Mr. Padam Kumar Singhania, Managing Director, along with other two directors and a team of experienced personnel.

Financials of TBPL (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Audited
Total Income	248.74	248.93
EBITDA	30.01	26.32
PAT	9.76	10.75
Total Debt	40.97	35.74
Tangible Net worth	191.77	201.90
EBITDA Margin (%)	12.06	10.57
PAT Margin (%)	3.91	4.30
Overall Gearing Ratio (x)	0.21	0.18

*Classification 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: (Rs. Crore)

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	1.56	IVR BBB+; Stable	IVR BBB+; Stable	-	-
2.	GECL	Long Term	5.59	IVR BBB+; Stable	IVR BBB+; Stable	-	-
3.	GECL-1 Extn.	Long Term	1.23	IVR BBB+; Stable	-	-	-
4.	Cash Credit (incl. proposed)	Long Term	40.00	IVR BBB+; Stable	IVR BBB+; Stable	-	-
5.	BG (incl. proposed)	Short Term	180.00	IVR A2	IVR A2	-	-
6.	Proposed Unallocated FB/NFB	LT/ST	0.05	IVR BBB+; Stable/ IVR A2	IVR BBB+; Stable/ IVR A2	-	-

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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.

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. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Term Loan	-	-	Mar 2023	1.56	IVR BBB+; Stable
Long Term Fund Based Limits – GECL	-	-	Sept. 2025	5.59	IVR BBB+; Stable
Long Term Fund Based Limits – GECL 1 Extension	-	-	Sept. 2025	1.23	IVR BBB+; Stable
Long Term Fund Based Limits – Cash Credit	-	-	-	40.00	IVR BBB+; Stable
Short Term Non-Fund Based Limits – BG	-	-	-	180.00	IVR A2
Long Term/Short Term Fund Based/Non-Fund-Based Limits – Unallocated Proposed	-	-	-	0.05	IVR BBB+; Stable/ IVR A2

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Tirupati-BuildCon-july22.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

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.