



Press Release

Tirupati Build-Con Private Limited

October 11, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	47.56 (including proposed limit of Rs. 15.00 crore)	IVR BBB; Stable (IVR Triple B with Stable Outlook)	Revised from IVR BBB+; Stable (IVR Triple B Plus with Stable Outlook)	Simple
Short Term Bank Facilities	180.87 (including proposed limit of Rs. 77.87 crore)	IVR A3+ (IVR A Three Plus)	Revised from IVR A2 (IVR A Two)	Simple
Total	228.43 (Rupees two hundred twenty-eight crore and forty-three lakh)			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision of the ratings assigned to the bank facilities Tirupati Build-Con Private Limited (TBPL) is primarily due to continuous moderation in its scale of operation in the past two fiscals ended in FY23 (provisional), and stretch in its operating cycle. However, the ratings continue to derive comfort from its long track record of operation under experienced promoters along with proven project execution capabilities. Moreover, the ratings also continue to derive comfort from its comfortable capital structure with healthy debt coverage indicators, healthy order book giving visibility to revenue in the medium term supported by the presence of escalation clause in the contracts and reputed clientele base albeit customer concentration. Further, these rating strengths are partially offset by working capital-intensive nature of its operations, exposure to geographical concentration risk, susceptibility of profitability to volatile input prices coupled with presence in a highly competitive industry and tender driven nature of the business operation.

Key Rating Sensitivities:



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Upward Factors

- Substantial and sustained growth in scale of operations with improvement in profitability and cash accrual on a sustained basis and consequent improvement in liquidity
- Sustenance of the capital structure with improvement in debt protection metrics with interest coverage to remain over 4x
- Improvement in the operating cycle with improvement in the receivable period leading to improvement in liquidity.
- Diversification in regional presence

Downward Factors

- Moderation in operating income and/or profitability and cash accrual impacting the debt protection metrics on a sustained basis.
- Deterioration in overall gearing to over 1x and/or moderation in interest coverage ratio to below 2.5x
- 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



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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.

- **Reputed clientele albeit customer concentration**

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 653.69 crore as on June 30, 2023, which is around 4.05 times of its FY23 revenue. Further, the orders are expected to be executed within next 1-2 years, indicating a satisfactory near to medium term revenue visibility.

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

The capital structure of the company had remained comfortable on the past three account closing dates owing to its healthy net worth base which stood at Rs.218.63 crore as on March 31, 2023. Overall gearing of TBPL remains comfortable at 0.32x as on March 31, 2023. Overall indebtedness as reflected by TOL/TNW though marginally moderated, stood satisfactory at 0.65x as on March 31, 2023, against 0.61x as on March 31, 2022. Owing to the reduced absolute EBITDA along with increase in finance cost, debt protection metrics marked by interest coverage ratio has moderated from 4.36x in FY22 to 2.94x in FY23. However, Total Debt/EBITDA and Total Debt/GCA continues to remain comfortable at 1.85x and 3.05 years respectively as on March 31, 2023, against 1.91x and 3.02 years of FY22.

Key Rating Weaknesses

- **Continuous moderation in topline and profit levels over the past two fiscals**



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The total operating Income of TBPL has witnessed an erratic trend over the past couple of years as the topline had slightly moderated to Rs.230.41 crore in FY22 against Rs.248.93 crore of FY21 which further moderated to Rs.161.14 crore in FY23. The moderation in topline was highly affected due to delayed execution of work orders owing to the pending approvals from different government authorities regarding land acquisition and design approval consecutively affecting the revenue booking and realization during FY23. Notwithstanding to the moderation in topline, operating profit margin of TBPL has improved in FY23 (Prov.) to ~14.71% as compared to 11.25% in FY22 driven by reduced subcontract charges and overhead cost during the period. Further, PAT margin continues to remain satisfactory at 4.22% in FY23 against 4.37% in FY22. TBPL has churned out revenue of ~Rs.64 crore in Q1 FY24.

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

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**



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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 company has witnessed stretch in its operating cycle in FY23 due to stretch in its average collection period and average inventory holding period. The operating cycle of the company moderated to 285 days in FY23 as against 153 days in FY22. Further, the average working capital utilization remained moderate at around 86% during last 12 months ending in August 2023, which imparts moderate liquidity buffer.

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 term marked by its expected adequate cash accruals as against its debt repayment obligations. The company is expecting to generate cash accruals in the range of ~Rs.18 to ~Rs.24 crore as against its debt repayment obligations in the range of ~Rs.7.50 to ~Rs.9.76 crore during FY24-FY26. Further, Further, on the back of its comfortable capital structure, the company has adequate gearing headroom and the current ration also stood comfortable at 1.99x as on March 31, 2023. However, the average working capital utilisation is moderate at ~86% during last 12 months ending in August 2023, which imparts moderate liquidity buffer.

About the Company

Tirupati Build-Con Private Limited (TBPL) was established in the year 1983 as a Partnership company by 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. The company is registered as Class I-A contractor with PWD of Madhya Pradesh and Chhattisgarh and 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



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Limited, Madhya Pradesh Rural Road Development Corporation, National Highway Authority of India (NHAI) etc. Day to day affairs of the company is look after by Mr. Padam Kumar Singhania, Managing Director, along with other director Mr. Harshvardhan Singhania and a team of experienced personnel.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	230.41	161.14
EBITDA	25.92	23.70
PAT	10.10	6.87
Total Debt	67.26	70.57
Tangible Net worth	211.83	218.63
EBITDA Margin (%)	11.25	14.71
PAT Margin (%)	4.37	4.22
Overall Gearing Ratio (x)	0.32	0.32
Interest Coverage Ratio	4.36	2.94

*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 2023-24)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	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
					July 19, 2022	May 13, 2022		
1.	GECL	Long Term	7.56	IVR BBB; Stable	IVR BBB+; Stable	IVR BBB+; Stable	-	-
2.	Cash Credit (including proposed limit)	Long Term	40.00	IVR BBB; Stable	IVR BBB+; Stable	IVR BBB+; Stable	-	-
3.	Bank Guarantee (including proposed limit)	Short Term	180.87	IVR A3+	IVR A2	IVR A2	-	-
4.	Proposed Unallocated FB/NFB	Long Term/ Short Term	-	-	IVR BBB+; Stable/ IVR A2	IVR BBB+; Stable/ IVR A2	-	-



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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.

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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL	-	-	October 2025	4.77	IVR BBB; Stable
GECL Extension	-	-	December 2026	2.79	IVR BBB; Stable
Cash Credit	-	-	-	25.00	IVR BBB; Stable
Proposed Cash Credit	-	-	-	15.00	IVR BBB; Stable
Bank Guarantee	-	-	-	103.00	IVR A3+
Proposed Bank Guarantee	-	-	-	77.87	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-Tirupati-oct23.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.