



## Press Release

### Trenzet Infra Private Limited (TIPL)

October 18, 2024

#### Ratings

Instrument/ Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	0.00 (Reduced from Rs. 0.78 crore)	Withdrawn	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Withdrawn	<a href="#">Simple</a>
Long Term Bank Facilities	13.06 (Reduced from Rs. 13.50 crore)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	<a href="#">Simple</a>
Short Term Bank Facilities	34.75	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Reaffirmed	<a href="#">Simple</a>
Long Term/ Short Term Bank Facilities	70.00	IVR BBB-/ Stable/ IVR A3 (IVR Triple B Minus with Stable Outlook/ IVR A Three)	--	Assigned	<a href="#">Simple</a>
<b>Total</b>	<b>117.81</b> <b>(Rupees One hundred- seventeen crore and eighty-one lakh only)</b>				

Details of Facilities/ Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities of Trenzet Infra Private Limited (TIPL). Further, Infomerics has also simultaneously withdrawn the ratings assigned to the GECL loan of Rs. 0.78 crore as it has been fully repaid, basis the 'No Dues Certificate' received from the lender and the company's request for withdrawal of rating. The rating is withdrawn in accordance with Infomerics 'Policy on Withdrawal of Ratings'.

The ratings continue to derive strength from the experience of promoters in the civil construction industry, healthy order book, healthy capital structure and debt protection metrics of the company. The rating strengths are, however, offset by concentration risk, moderate gross current asset days, susceptibility of profitability to volatility in the input prices, and competitive nature of construction sector.



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The stable outlook factors in company's long track record in civil construction, healthy order book, and healthy capital structure.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Sustained increase in revenues along with improvement in profitability of the company.
- Improvement in TOL/TNW to below 1 time on a sustained basis.

#### **Downward Factors**

- Deterioration in revenues along with profitability impacting the cash accruals and the debt protection metrics.
- Stretch in the working capital cycle impacting the liquidity of the company.
- Sharp changes in the leverage of the company; TOL/TNW moving above 2 times.

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

#### **Key Rating Strengths**

##### **Proven track record and experienced promoters in civil construction industry**

TIPL is a civil construction company engaged in the construction of mainly railway infrastructure work, roads, bridges and national highways amongst others. The company started its operations in 2004 and since then has successfully completed many projects in and around Odisha, Uttar Pradesh and Andhra Pradesh for various government departments. The promoter, Mr. T Kishan Kumar, Managing Director, and other directors, Mr. C Murali Mohan and, Mr. N. V. V. Satyanarayana have over 25 years of experience in the industry. They have established long standing relationships with customers and suppliers which helps company secure repeat orders. Promoters are supported by a team of experienced and qualified professionals.

##### **Healthy order book reflecting satisfactory revenue visibility**

The company has an unexecuted order book of around Rs. 1004.54 crore as on August 28, 2024, which is about 2.85x of its FY24 (FY stands for the period April 1 to March 31) revenues i.e. Rs. 352.79 crore. The orders are expected to be completed within next two to three years, indicating a satisfactory medium term revenue visibility. The orders primarily consist of railway infrastructure works from government bodies like Railways, Indian Port Rail & Ropeway Corp Ltd etc. Timely execution of projects has ensured repeat orders from these clients.



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### **Healthy capital structure and debt protection metrics**

The financial risk profile of the company is marked by healthy capital structure and debt protection metrics. The adjusted tangible net worth of the company improved to Rs. 57.04 crore as on March 31, 2024, as against Rs. 40.98 crore as on March 31, 2023, due to accretion to reserves. Total debt of the company has increased to Rs. 35.94 crore as on March 31, 2024, from Rs. 7.28 crore as on March 31, 2023. The debt consists of Rs. 11.03 crore of term loans, Rs. 5.74 crore of unsecured loans from promoters and related parties, and Rs. 19.17 crore working capital borrowings. Accordingly, the adjusted overall gearing moderated to 0.63 times as on March 31, 2024, as against 0.18 times as on March 31, 2023. The total indebtedness of the company reflected by adjusted TOL/TNW also moderated to 1.48x as on March 31, 2024, against 1.30x as on March 31, 2023. Debt protection metrics remained healthy with interest coverage ratio at 8.30x for FY24 (PY: 7.59x). However, total debt to GCA moderated to 2.09 times as on March 31, 2024, from 0.48 times as on March 31, 2023.

### **Key Rating Weaknesses**

#### **Concentration risk**

TIPL's focus is mainly on railway infrastructure work hence, there exists segment concentration risk. Around 64% of TIPL's unexecuted order book is of railway infrastructure work. Further, the present order book is geographically skewed towards states namely Odisha and Jharkhand from various government departments indicating a geographical concentration risk. Out of the total outstanding orders of Rs. 1004.54 crore as on August 28, 2024, ~33% is from Odisha and ~26% is from Jharkhand. However, the company is diversifying and executing projects in other states like Telangana, Karnataka, Gujarat, Bihar, and West Bengal. The company has adequate experience to execute projects in the states which provides comfort.

#### **Moderate gross current assets days**

The GCA days of the company deteriorated to 143 days as on March 31, 2024, from 113 days as on March 31, 2023. The company raises bills on monthly basis. The retention money is usually 5 per cent of the contract value which is released after a defect liability period of 6 month to 1 year or more. TIPL has shown retention money of Rs. 29.38 crore as on March 31, 2024 (PY: Rs. 26.31 crore) as part of security deposits and not trade receivables. This is inherent to the industry.



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### **Susceptibility of profitability to volatility in the 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 all the contracts imparts comfort to an extent.

### **Tender-based nature of operations with intense competition in the industry**

The company is mostly getting its orders through tenders floated by various government departments. As the infrastructure industry is highly fragmented due to presence of many organized and unorganized players, tender driven nature of business leads to volatility in revenue and profitability. Further, being in infrastructure segment, the company is exposed to inherent risks associated in this industry like slowdown in new order inflows, risks of delays in execution, delay in payments from government, fluctuating input costs etc. Further since the nature of operations is tender based, the business depends on the ability to bid for contracts successfully. TIPL has success rate of 30 percent while bidding for contracts. Further, being a regional player, TIPL executes projects largely in Odisha and Jharkhand, thus, remains susceptible to any slowdown in tenders floated in the region or changes in government policies.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

[Rating Methodology for Infrastructure Companies.](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/ Facilities](#)

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

[Policy on withdrawal of ratings](#)

### **Liquidity –Adequate**

The liquidity of the company is expected to remain adequate marked by expected cash accruals in the range of Rs.19-25 crore for the projected period FY25 to FY27 as against debt repayments of Rs. 2.94 crore for each of the projected three years. The average fund based



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working capital utilization remained high at ~86% for the last 12 months ended September 2024. The cash balance as on March 31, 2024, stood at Rs. 9.76 crore. The current ratio of the company stood at 2.06x as on March 31, 2024.

### **About the Company**

Trenzet Infra Pvt Ltd, based in Vijayawada, Andhra Pradesh, is a civil construction company engaged in the construction of mainly railway infrastructure work, roads and bridges and national highways. In 1990, Mr. T Kishan Kumar with Mr. Marali Mohan and others formed K Venkata Raju Engineers & Contractors Private Limited (KVRECPL) and had been engaged in carrying civil construction work mainly buildings for government bodies and private companies. In 2014, KVRECPL was renamed to Trenzet Infra Private Limited with private company status.

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

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	303.46	352.79
EBITDA	23.00	25.57
PAT	14.48	15.93
Total Debt	7.28	35.94
Tangible Net Worth	49.98	66.03
EBITDA Margin (%)	7.58	7.25
PAT Margin (%)	4.77	4.51
Overall Gearing Ratio (x)	0.15	0.54
Interest Coverage (x)	7.59	8.30

\* Classification as per Infomerics' standards.

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

ACUITE Ratings has moved the ratings to Issuer Not Cooperating category via press release dated February 12, 2024, due to unavailability of information for monitoring the rating.

**Any other information:** Nil

**Rating History for last three years:**



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Sr. No	Name of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					September 05, 2023	--	--
1.	Fund Based Bank Facilities – GECL	Long Term	0.00 (Reduced from Rs. 0.78 crore)	Withdrawn	IVR BBB-/ Stable	--	--
2.	Fund Based Bank Facilities – GECL- I	Long Term	0.94 (Reduced from Rs. 1.20 crore)	IVR BBB-/ Stable	IVR BBB-/ Stable	--	--
3.	Fund Based Bank Facilities – Vehicle Loan	Long Term	0.62 (Reduced from Rs. 0.80 crore)	IVR BBB-/ Stable	IVR BBB-/ Stable	--	--
4.	Fund Based Bank Facilities – Cash Credit	Long Term	11.50	IVR BBB-/ Stable	IVR BBB-/ Stable	--	--
5.	Non- Fund Based Bank Facilities- Bank Guarantee	Short Term	34.75	IVR A3	IVR A3	--	--
6.	Non- Fund Based Bank Facilities- Bank Guarantee	Long Term/ Short Term	70.00	IVR BBB-/ Stable/ A3	--	--	--
7.	Non- Fund Based Bank Facilities- Proposed Bank Guarantee	Short Term	--	--	IVR A3	--	--

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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



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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 and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund Based Bank Facilities – GECL	--	--	--	--	--	Withdrawn
Fund Based Bank Facilities – GECL- I	--	--	--	November 2028	0.94	IVR BBB-/ Stable
Fund Based Bank Facilities – Vehicle Loan	--	--	--	March 2027	0.62	IVR BBB-/ Stable
Fund Based Bank Facilities – Cash Credit	--	--	--	--	11.50	IVR BBB-/ Stable
Non- Fund Based Bank Facilities- Bank Guarantee	--	--	--	--	34.75	IVR A3
Non- Fund Based Bank Facilities- Bank Guarantee	--	--	--	--	70.00	IVR BBB-/ Stable/ IVR A3

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Trenzset-oct24.pdf>



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**Annexure 3: Detailed explanation of covenants of the rated Security/facilities:** Not Applicable

**Annexure 4: List of companies considered for consolidated/Combined analysis:** 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).

