



Press Release

Tuaman Engineering Limited

December 29, 2023

Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term/ Short Term Bank Facilities	433.00	IVR A-; Negative / IVR A2+ (IVR Single A Minus with Negative Outlook/ IVR A Two Plus)	Reaffirmed	Simple
Long Term Bank Facilities	66.89	IVR A-; Negative (IVR Single A Minus with Negative Outlook)	Assigned	Simple
Total	499.89 (Rupees four hundred and ninety nine crore and eighty nine lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The assignment of the long-term rating and reaffirmation of the long term/short term rating assigned to the bank facilities of Tuaman Engineering Limited (TEL) continues to derive comfort from its experienced & professional management supported by its qualified managerial & technical team, proven project execution capability and reputed clientele. Further, the ratings also note growth in its scale of operations with improvement in profitability in H1FY24 along with infusion of fund aggregating to Rs.12.50 crore in the business by the promoter's family. These rating strengths are however offset by its presence in highly fragmented construction sector, susceptibility of its profit to volatility in input prices, moderate capital structure and moderate working capital intensity. The outlook will be revised to stable from negative on receipt of funds into the company as confirmed by the promoters within the specified timeline.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability with EBITDA margin



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- Improvement in the capital structure with improvement in debt protection metrics with interest coverage to over 3x
- Manage working capital requirements efficiently with improvement in liquidity position and reduction in its operating cycle

Downward Factors

- Dip in operating income and/or profitability impacting the debt protection metrics.
- Moderation in the capital structure with deterioration in overall gearing to more than 2x and/or moderation in interest coverage ratio to below 2x.
- Moderation in the operating cycle leading to any deterioration in liquidity profile

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced & highly qualified managerial & technical team**

Dr. Pinaki Duttagupta (ED) looks after the overall operations of the company. Dr. Duttagupta, a Mechanical Engineer, has more than two decades of experience in the construction sector. He is well supported by a team of highly qualified & experienced professionals. The company has acquired strong engineering acumen through its successful operations over the years. Moreover, he has an extensive and experienced of designing & drawing department along with many experienced engineers having rich credentials in the infrastructure/construction sector to cater to its regular requirements.

- **Group support**

Initially, TEL was promoted to support Himadri Speciality Chemical Limited (HSCL) in its capacity expansion projects and thereafter, it has been working as an independent company. However, TEL continues enjoys support from the group. The group has established relationship with major steel producers in the country which TEL is leveraging in many matters, including negotiation of rates. Further, the promoters have undertaken to infuse funds to the tune of ~Rs.50 Crore & ~Rs.75 Crore during FY24 & FY25 respectively to support the net worth of TEL. Till November 2023, the promoters have infused fund of Rs.12.5 crore from promoters family.

- **Proven project execution capability**

Over the years, the company has successfully completed many projects across the country for various medium to large government companies and reputed private companies. In order



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to manage the projects in a better way and to grow in a balanced way, the company has a policy to take up short to medium term projects (1-2 years) and handle limited number of projects at a time to ensure timely completion. The repeat orders received from its clientele validate its construction capabilities.

- **Reputed clientele**

Major clientele of the company includes central PSUs like GAIL, Bharat Petroleum Corporation Ltd, Indian Oil Corporation Ltd, Rashtriya Ispat Nigam Ltd, Ircon Infrastructure, Burn Standard Co. Ltd., etc. TEL bids for tenders floated by various government entities across the country.

- **Strong order book reflecting satisfactory medium-term revenue visibility**

The company has a strong order book position Rs.1733.82 Crores as on September 30, 2023 which is about 2.56 times of its FY23 construction revenue (i.e. Rs. 677.36 crore). The orders are expected to be completed within next two-three years, indicating a satisfactory medium term revenue visibility.

- **Growth in scale of operations with improvement in profitability**

The total operating income increased in FY23 by ~20% to Rs. 677.36 crore as compared to Rs. 574.45 crore in FY22 driven by higher execution of order. With the increase in top line, absolute EBITDA was also improved from Rs.35.57 crore in FY22 to Rs.51.79 crore in FY23. The operating margin improved from 6.19% in FY22 to 7.65% in FY23. The PAT margin also improved from 3.60% in FY22 to 4.35% in FY23. In H1FY24, TEL achieved revenue of Rs.416.97 crore as compared to Rs.343.67 crore in H1FY23 with EBITDA margin of 9.07% (PY:6.10%) and PAT margin of 4.04% (PY:3.54%).

Key Rating Weaknesses

- **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 of the company remains susceptible to fluctuation in input prices. However, presences of escalation clause in most of the contracts provides significant comfort.

- **Moderation in capital structure and debt protection metrics in FY23**

TEL's capital structure, though deteriorated, remains moderate marked by long term debt equity ratio at 0.79x and overall gearing ratio at 1.51x respectively as on March 31, 2023 as against 0.01x and 0.63x respectively as on March 31, 2022 respectively. The deterioration in



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the capital structure is driven by an increase in bank borrowings and term loans taken from NBFC's during the year. Further, total indebtedness of the company as reflected by TOL/TNW moderated to 2.85x as on March 31, 2023, against 1.98x as on March 31, 2022. The interest coverage ratio though continues to remain healthy, moderated from 4.56x in FY22 to 2.35x in FY23 with an increase in finance charges.

- **Highly fragmented & competitive nature of the construction sector with significant price war**

The domestic infrastructure/construction sector is highly fragmented with presence of many players with varied statures & capabilities. A 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.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Parent and group support](#)

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

[Criteria of assigning rating outlook](#)

[Criteria on Default Recognition](#)

Liquidity: Adequate

The liquidity position of the company is expected to remain adequate in the near to medium term driven by expected sufficient cushion in its accruals in the range of ~Rs. 40.91 crore to Rs.63.50 crore as compared to debt repayment obligation in the range of ~Rs. 14.98 crore to Rs.20.80 crore during FY24-FY26. Besides, average fund-based/ non-fund-based utilization for last 6 months ended September 30, 2023 is ~93%.

About the Company

Headquartered in Kolkata (West Bengal), Tuaman Engineering Limited (TEL) started its operation from 2007 and has been engaged in Engineering, Procurement and Construction (EPC) activities in execution of all kinds of civil, structural & mechanical and instrumentation works (encompassing engineering, fabrication & erection of structures, ducting, piping, etc.) contracts. TEL, a professionally managed company, has expertise in executing projects in



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sectors like oil & gas, steel, chemicals, railways (including metro railways), power, etc. and executed projects in various states (like West Bengal, Odisha, Tamil Nadu, Kerala, Gujarat & Rajasthan, Telangana, Assam, Uttar Pradesh, etc.) across the country. Currently, the company is governed by a board of directors comprising highly qualified & experienced professionals, headed by Dr. Pinaki Duttagupta (ED), a Mechanical Engineer with more than two decades of experience in the construction sector.

Financials of Tuaman Engineering Limited (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	574.45	677.36
EBITDA	35.57	51.79
PAT	20.77	30.00
Total Debt	79.63	237.00
Tangible Net worth	126.79	156.71
EBITDA Margin (%)	6.19	7.65
PAT Margin (%)	3.60	4.35
Overall Gearing Ratio (x)	0.63	1.51
Interest Coverage Ratio (x)	4.56	2.35

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil.

Any other information: Nil

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument/Facilities	Current Rating (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
1.	Long Term/ Short Term Fund /Non Fund Based Facilities	Long Term/ Short Term	433.00	IVR A-; Negative / IVR A2+	IVR A-; Negative / IVR A2+ (June 16, 2023)	IVR A- ; Stable /IVR A2+ (March 28, 2022)	IVR A; Stable /IVR A1 (January 18, 2021)	IVR A; Stable /IVR A1 (November 29, 2019)



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Sr. No.	Name of Instrument/Facilities	Current Rating (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
2.	Long Term Bank Facilities	Long Term	66.89	IVR A-; Negative	-	-	-	-

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About Infomerics Ratings:

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).

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facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term/ Short Term Fund /Non Fund Based Facilities	-	-	-	433.00	IVR A-; Negative / IVR A2+
Long Term Bank Facilities	-	-	July 2029	66.89	IVR A-; Negative

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Tuaman-dec23.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.