Press Release

Thakur Infraprojects Private Limited
October 27, 2023

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Term Loan	48.29	IVR A-/Stable (IVR A Minus with Stable Outlook)	Assigned	Simple
Long Term Fund Based Bank Facilities – Cash Credit	10.01	IVR A-/Stable (IVR A Minus with Stable Outlook)	Assigned	Simple
Short Term Non Fund Based Bank Facilities – Bank Guarantees	182.24	IVR A2+ (IVR A Two Plus)	Assigned	Simple
Total	**240.54 (Rupees Two Hundred Forty crore and Fifty-four Lakh only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Thakur Infraprojects Private Limited (TIPL) derive Proven track record and experienced promoters in civil construction industry, Healthy order book reflecting satisfactory revenue visibility, Increase in scale of operations, Comfortable capital structure and debt protection metrics and Own equipment ensures timely execution of orders. The ratings strengths are, however, constrained by Geographical and Client Concentration risk, Susceptibility of operating margin to volatile input prices, Tender-based nature of operations with intense competition in the industry and Moderate working capital intensity.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations along with profitability on a sustained basis.
- Significant improvement in working capital cycle improving liquidity of the company.
- Sustenance of the overall gearing below 0.50x.

Downward Factors

- Moderation in scale of operations and/or profitability impacting the liquidity profile.
- Sharp changes in leverage leading to deterioration in debt protection metrics.
- Stretch in the working capital cycle impacting the liquidity of the company.
- Any delays in execution of HAM project and any liabilities arising thereof, leading to decline in the company's revenues and profitability.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Proven track record and experienced promoters in civil construction industry

TIPL is a civil construction company engaged in the construction of roads, bridges, dams, earthmovings, container yard development, etc. The Company started its operations in 2007 and since has successfully completed many projects in state of Maharashtra for various government departments as well as of different private companies. The promoters have experience of over four decades in the construction business which has helped establish long standing relationships with customers and suppliers and secure repeat orders. Promoters are well 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. 1,430.30 crore as on August 31, 2023, which is about 2.5x of its FY23 revenues (Rs.577.28 crore). The orders primarily consist of infrastructure works, roads and bridges and, national highways. The orders are expected to be completed within next two to three years, indicating a satisfactory medium

term revenue visibility. Orderbook comprises of both Government orders and private orders however, government orders make up major portion (74%) of the total order book. TIPL's customers primarily include government bodies in Maharashtra namely MSRDC, CIDCO, Panvel Municipal Corporation, JNPT, Central Railways, Mumbai Railway Vikas Corporation, National Highway Authority of India and private companies namely Tata Projects Limited, J. Kumar, J.M. Mhatre, Petronas Lubricants India Private Limited and Hind Terminals Ltd. The counterparty credit risk remains low given the reputed client profile. Timely execution of projects has ensured repeat orders from these clients. Increase in scale of operations.
The company has also secured a HAM project for four laning of Ratnagiri - Kolhapur section of NH-166 awarded by the NHAI at a project cost of Rs.946 crore which will be executed under JV with JM Mhatre, wherein TIPL's share is 49%. The above project will be funded by equity contribution of Rs.110 crores and term loan from banks of Rs.440 crore, which is already sanctioned, and the balance will be NHAI contribution as in any HAM project. The debt will be guaranteed by the joint venture partners. There is an inherent execution risk of the project and timely completion of the same will be a key rating monitorable.

Increased scale of operations

The company reported 85% increase in total operating income on y-o-y basis in FY23 to Rs.577.28 crore and 14% increase in FY22 to Rs.311.55 crore from Rs. 274.60 crore in FY21, after facing a dip in FY21 due to the disruptions caused by Covid-19. The increase in revenues in FY22 and FY23 can be attributed to pick up in order execution, in a time bound manner, supported by sub-contracting. EBITDA margin of the company has decreased from 16.57% in FY21 to 13.67% in FY22 and improved to 16.08% in FY23. In FY22 EBITDA margin was affected on account of increase in raw material consumption cost. However, in FY23 on account of increased order book the EBITDA margin improved. Majority of the orders have built-in escalation clause as per the contract arrangements. PAT margin has been maintained at 10.45% in FY22 and 10.51% in FY23.

Comfortable capital structure and debt protection metrics:

The financial risk profile of the company is marked by healthy capital structure and moderate debt protection metrics. The tangible net worth of company increased to Rs. 265.72 crore as on March 31, 2023, as against Rs. 206.75 crore as on March 31, 2022, on account of accretion of reserves. The overall gearing and TOL/TNW also stood comfortable at 0.27x and 0.55xas on March 31, 2023, as against 0.15x and 0.40 as on March 31, 2022, respectively. The debt protection metrics of the company marked by interest coverage ratio improved to 13.31x for FY23 as against 10.33 for FY22, total debt to GCA remained moderate at 1.00 times as on March 31, 2023. The DSCR of the company remains adequate after factoring in the equity investment of Rs.53.90 crores through internal accruals in FY24 towards the JV project .

Own equipment ensures timely execution of orders

TIPL has adequate equipment to complete the projects in a timely manner with over 32 excavators, loaders and rock breakers, 5 vagan drill with compressor, 11 transit mixers, around 50 Concreting, Crushing and Piling Equipment, 16 water tankers and various other machineries. This ensures faster execution of orders as the company does not have to rely on hiring machineries which may be deployed at other projects.

B. Key Rating Weaknesses

Geographical and Client Concentration risk

The present unexecuted order book is majorly concentrated in the state of Maharashtra making the company vulnerable to any adverse changes in the political environment or policy matters of the state that would affect all the projects of the concerned state. However, the company's adequate experience to execute projects in the state and also operating in a concentrated geography provides efficient control and reduces the logistical expense to some extent.

TIPL's customers are primarily MSRDC, Panvel Municipal Corporation, Mumbai Railway Vikas Corporation, Tata Projects Ltd, CIDCO, JNPT etc. Any deterioration in financial risk profile of these entities would impact on the operational performance of the company. The company's top 10 customers in FY23 made up 77% of the revenues as against 7.45% in FY22. Similarly, the company's top 10 suppliers in FY23 made up 53.41% of raw material purchases as against 0.06% in FY22, thus leading to concentration risk.

Susceptibility of operating margin to volatile input prices

Major raw materials used in civil construction activities are steel & cement. Stone, asphalt/bitumen and sand are also used in road construction activities. Major raw materials are usually sourced from large players/dealers at proximate distances. The raw material & labour (including subcontracting) cost forms the majority chunk of the total cost of sales. As the raw material prices & labour (including sub-contracting) cost are volatile in nature, the profitability of the firm is subject to fluctuation in raw material prices & labour cost, although the same risk has been mitigated to some extent with the presence of inherent price escalation clause added in the contracts. EBITDA margin moderated to 13.67% in FY22 vis a vis 16.57 in FY21.However improved to 16.08% in FY23. Similarly PAT margin reduced from 15.81% in FY21 to 10.45% in FY22 and improved to 10.51% in FY23.

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 the 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. Further, being a regional player, TIPL executes projects largely in Maharashtra. thus, remains susceptible to any slowdown in tenders floated in the region or changes in government policies.

Moderate working capital intensity

Construction business, by its nature, is working capital intensive as a large amount of working capital remains blocked in earnest money deposits and retention money. This apart, its clients are government departments/entities having various procedural requirements where payments are relatively slow. The operating cycle stood at 43 days in FY23 driven by an inventory cycle of 15 days and average collection period 42 days. Further, the company’s creditor’s period stood at 15 days in FY23. Further, its average fund based working utilization for the 12 months ended July 2023 stood low at around 12.86% and average non-fund-based utilization for the 12 months ended July 2023 stood high at 76.28%. Gross current assets were 168 days as on March 31, 2023, as against 208 days as on March 31, 2022.

Analytical Approach: Standalone

Applicable Criteria:

Criteria of assigning rating outlook

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria on Default Recognition

Liquidity: Adequate

Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations. The company is expected to generate adequate gross cash accruals in the range of Rs. 86-105 crores in the projected period FY24-26 as against debt repayments of around Rs. 11.64 crore in FY23, Rs.4.80 crores each in FY25 and FY26 and the equity investment for the HAM project to the tune of Rs.53.90 crores in FY24. Further, its average fund based working capital utilization for the 12 months ended July 2023 stood low at around 12.86% which provides sufficient liquidity buffer. The company also has cash and cash equivalents of Rs.25.82 crores as on March 31, 2023.

About the company

Thakur Infraprojects Private Limited (TIPL) is an infrastructure development contractor in Maharashtra. It is established in 1974 under the name M/s. S. C. Thakur & Bros. and subsequently changed to Thakur Infraprojects Private Limited in 2007. TIPL primarily engages in road construction, bridge construction, port development, earth moving, dams & KT weirs, crusher operations, etc. It is also involved in manufacturing and supply of ready mix concreate, asphalt mixes, sand & aggregates. Company has also completed two Build Operate and Transfer projects related to truck parking terminal in Panvel area. Further, it is also executing one NHAI awarded HAM project of "four laning of Ratnagiri - Kolhapur section of NH-166" under separate joint venture.

Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	311.55	577.28
EBITDA	42.60	92.80
PAT	33.09	61.27
Total Debt	31.06	72.32
Tangible Net worth	206.75	265.72
Ratios		
EBITDA Margin (%)	13.67	16.08
PAT Margin (%)	10.45	10.51
Overall Gearing Ratio (x)	0.15	0.27

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

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
1.	Term Loan	Long Term	48.29	IVR A-/ Stable	-	-	-

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
2.	Cash Credit	Long Term	10.01	IVR A-/ Stable	-	-	-
3.	Bank Guarantee	Short Term	182.24	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.

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.

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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
Long term fund-based facility – Term Loan	--	--	--	48.29	IVR A-/Stable
Long term fund-based facility – Cash Credit	--	--	--	10.01	IVR A-/Stable
Short term non-fund-based facility – Bank Guarantee	--	--	--	182.24	IVR A2+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/len-TIPL-oct2023.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.