



Press Release

Trenzet Infra Private Limited
September 05, 2023

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Term Loan	2.78	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Long Term Fund Based Bank Facilities – Cash Credit	11.50	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	34.75	IVR A3 (IVR A Three)	Assigned	Simple
Proposed Short Term Non-Fund Based Bank Facilities – Bank Guarantee	18.97	IVR A3 (IVR A Three)	Assigned	Simple
Total	68.00 (Rupees Sixty-eight crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Trenzet Infra Private Limited (TIPL) derive strength from proven track record and experienced promoters in civil construction industry, healthy order book reflecting satisfactory revenue visibility, increase in scale of operations and comfortable capital structure and debt protection metrics. The rating strengths are, however, constrained by concentration risk, tender-based nature of operations with intense competition in the industry and moderate gross current assets days.



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Key Rating Sensitivities:

Upward Factors

- A sustained improvement in the revenue while maintaining the profitability and debt protection metrics.

Downward Factors

- Moderation in scale of operations or profitability impacting the liquidity profile.
- Moderation in the capital structure with deterioration in overall gearing and debt protection metrics of the company.
- Stretch in the working capital cycle impacting the liquidity of the company.

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 special class civil construction company engaged in the construction of mainly railway infrastructure work, roads and bridges and national highways amongst others. The company started its operations in 2004 and since 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 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 the company secure repeat orders. Promoters are also 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. 761.02 crore as on June 30, 2023, which is about 2.50x of its FY23 revenues (Rs.303.32 crore). The orders primarily consist of railway 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. TIPL's customers primarily include government bodies like railways, NHAI, Municipal Corporations. Timely execution of projects has ensured repeat orders from these clients.



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Increase in scale of operations.

The company reported 138% increase in total operating income on y-o-y basis in FY23 to Rs.303.32 crore and 83% increase in FY22 to Rs.127.17 crore from Rs. 69.37 crore in FY21, after facing a dip in FY21 due to the disruptions caused by Covid-19. The increase in sales in FY22 and FY23 can be attributed to pick up in order execution, in a time bound manner, supported by sub-contracting. The company has registered sales of Rs. 102 crores during the first four months of FY24.

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. 48.88 crore as on March 31, 2023, as against Rs. 32.90 crore as on March 31, 2022, on account of accretion to reserves. The overall gearing improved to 0.15x as on March 31, 2023, as against 0.63x as on March 31, 2022. The company has an asset light business model whereby it subcontracts/ hires machinery as per requirement, thus lower dependency on debt. The total indebtedness of the company reflected by TOL/TNW improved to 1.09x as on March 31, 2023, against 1.28x as on March 31, 2022. The debt protection metrics of the company marked by interest coverage ratio improved to 9.98x for FY23 as against 6.10x for FY22, total debt to GCA remained comfortable at 0.52 times as on March 31, 2023.

B. Key Rating Weaknesses

Concentration risk:

TPIL's focus is mainly on railway infrastructure work hence, there exists segment concentration risk. More than 90 percent of TIPL's unexecuted order book is of railway infrastructure work. Further, the present order book is geographically skewed towards states namely Odisha and Uttar Pradesh from various government departments indicating a geographical concentration risk. Out of the total outstanding orders of Rs.761 crores as on March 31, 2023, 44 percent is from Odisha. The company is diversifying and executing projects in other states like Andhra Pradesh, Maharashtra and West Bengal. The company has adequate experience to execute projects in the states which provide comfort.



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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. TIPL has success rate of 70 percent in bidding for contracts. Further, being a regional player, TIPL executes projects largely in Odisha and Uttar Pradesh. thus, remains susceptible to any slowdown in tenders floated in the region or changes in government policies.

Moderate Gross Current Assets days

The GCA of the company was moderate at 112 days as on March 31, 2023, however an improvement over 201 days as on March 31, 2022. After getting a tender, earnest money deposits (EMD) of ~0.5 per cent is deposited along with performance guarantee of ~5 per cent. 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 EMD and retention money of Rs. 26.31 crore as on March 31, 2023 (PY: Rs. 14.38 crore) as part of security deposits and not trade receivables, thus high GCA days. This is inherent to the industry.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning rating outlook](#)

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria on Default Recognition](#)



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Liquidity: Adequate

The liquidity of the company is expected to remain adequate marked by its expected adequate cash accruals in the range of Rs. 17.15 crore to Rs. 25.41 crore against debt repayment obligations of around Rs. 1.50 crore to Rs. 0.56 crore for the next three years. Further, absence of any large debt funded capex also provides comfort. The free cash balance as on March 31, 2023, remains at Rs. 2.16 crore. The average fund based working capital utilisation remained at ~60% during the last 12 months period ended July 2023 indicating moderate liquidity buffer. The current ratio of the company was at 1.97 as on March 31, 2023.

About the company

Trenzet Infra Private Limited (TIPL) is a special class civil construction company engaged in the construction of mainly railway infrastructure work, roads and bridges and national highways. TIPL initially started in 1990 by Mr. T Kishan Kumar and Mr. Marali Mohan as K Venkata Raju Engineers & Contractors Private Limited (KVRECPL) and in 2014 KVRECPL was renamed to Trenzet Infra Private Limited. TIPL is based in Vijayawada, Andhra Pradesh and executes orders across Telangana, Andhra Pradesh, Utter Pradesh, Maharashtra, Odisha & Gujarat.

Financials (Standalone):

	(Rs. crore)	
For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	127.17	303.32
EBITDA	10.00	22.08
PAT	5.22	13.27
Total Debt	20.56	7.28
Tangible Net worth	32.90	48.88
Ratios		
EBITDA Margin (%)	7.87	7.28
PAT Margin (%)	4.10	4.37
Overall Gearing Ratio (x)	0.63	0.15

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil



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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	2.78	IVR BBB-/ Stable	-	-	-
2.	Cash Credit	Long Term	11.50	IVR BBB-/ Stable	-	-	-
3.	Bank Guarantee	Short Term	34.75	IVR A3			
4.	Proposed Bank Guarantee	Short Term	18.97	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).

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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.

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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 – GECL	--	--	5/31/2024	0.78	IVR BBB-/Stable
Long term fund-based facility – GECL I	--	--	11/30/2028	1.20	IVR BBB-/Stable
Long term fund-based facility – Vehicle Loan	--	--	11/18/2029	0.80	IVR BBB-/Stable
Long term fund-based facility – Cash Credit	--	--	--	11.50	IVR BBB-/Stable
Short term non-fund-based facility – Bank Guarantee	--	--	--	34.75	IVR A3
Proposed Short term non-fund-based facility – Bank Guarantee	--	--	--	18.97	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-TIPL-sep23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable



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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.