



Press Release

Teerth Gopicon Limited

March 05, 2025

Ratings

Security/ Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term/Short Term Bank Facilities	8.00	IVR BBB-/Stable; IVR A3 (IVR Triple B minus with Stable Outlook; IVR A Three).	-	Rating Assigned	Simple
Short Term Bank Facilities	17.00	IVR A3 (IVR A Three)	-	Rating Assigned	Simple
Total	25.00 (Rupees Twenty-Five crores only)				

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

The ratings assigned to the bank facilities of Teerth Gopicon Limited (TGL) is supported by proven track record of the company in project execution under an experienced promoter, reputed clientele leading to low counterparty default risk and its satisfactory order book that ensures near to medium-term revenue visibility. Furthermore, the ratings consider the company's healthy growth in operations with improvement in profitability, satisfactory capital structure with favourable debt coverage indicators. However, these strengths are partially offset by the company's modest scale of operations, exposure to geographical concentration risk, competitive and tender-based nature of the industry and the sensitivity of operating margins to fluctuations in input prices. Furthermore. The ratings also note early stage of significant contracts of the company.

The stable outlook reflects expected stable business performance of the company in the near to medium term driven by its healthy order book position and experienced promoters.

Key Rating Sensitivities:

Upward Factors:

- Growth in scale of operations with improvement in profitability on a sustained basis and consequent improvement in liquidity
- Sustenance of the capital structure with improvement in debt protection metrics



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- Improvement in the working capital management leading to improvement in working capital cycle

Downward Factors:

- Dip in the revenue and/or moderation in profitability impacting the debt protection metrics on a sustained basis
- Deterioration in the capital structure with moderation in overall gearing to over 1x
- Moderation in liquidity marked by elongation in operating cycle

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

The promoters have more than two decades of experience in the field of civil construction services. Benefits derived from the promoters' experience along with their strong understanding of the construction industry and healthy relationships with customers and suppliers is expected to continue and support the business. The company is also supported by a team of experienced and qualified professionals.

- **Proven project execution capability**

Over the past years, TGL has successfully completed many projects across the state of Madhya Pradesh and ensured timely completion of all its projects. Repeat orders received from the private and government entities validate its construction capabilities.

- **Satisfactory order book reflecting near to medium term revenue visibility**

The company has an unexecuted order book position of ~Rs.2035 crore as on January 31, 2025, representing 19.40x of the total operating income of FY24 (FY refers to the period from April 1 to March 31) which is expected to be executed over the next 12 to 18 months. Satisfactory order book position reflects near to medium term revenue visibility.

- **Reputed clientele leading to low counterparty default risk**

The company mainly bids for tenders floated by various government departments in the road construction and water treatment sector across Madhya Pradesh and Rajasthan and renewable solar energy in PAN India. The major client base of the company consists of the Jal Nigam departments of the state government of Madhya Pradesh. Most customers being government departments impart comfort in the form of low counterparty risk though timely receipt of bill payments is dependent on their timely receipt of sanctioned funds from higher authorities.



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- **Growth in scale of operation along with improvement in profitability**

TGL has demonstrated strong growth in its Total Operating Income (TOI) over the past three years, from FY22(A) to FY24(A), with a CAGR of ~31%. In FY24, the TOI saw a steady increase of ~168% from Rs.39.08 crore in FY23 to Rs.104.92 crore in FY24. This surge was primarily driven by higher execution of orders mainly in water infrastructure space. The improvement in performance is attributed to better absorption of fixed overheads, supported by the scaling up of operations. Moreover, the execution of several high-margin contracts has played a pivotal role in driving the growth in EBITDA margin. As a result, the company saw a marked improvement in PAT margin, which increased from 4.34% in FY23 to 11.00% in FY24, reflecting a notable boost in profitability. The reduction in interest outgo attributable to lower utilisation of bank borrowings has also allowed the company to boost its net profit. The company has achieved a topline of Rs.68 crores with a PAT of Rs.9.52 crore as on September 30, 2024. The company is expecting steady growth in its scale of operation in H2FY25 on the back of its health orderbook position.

- **Satisfactory capital structure and debt coverage indicators**

The capital structure of the company has remained comfortable over the past three years marked by its comfortable leverage ratios. The debt profile of the company mainly consists of term loans, unsecured loans (Unsubordinated) from promoters and working capital borrowings. Overall gearing has improved to 1.10x as on March 31, 2024, against 3.85x as on March 31, 2023, due to accretion of profit to reserves and lower utilization of bank borrowings as on the balance sheet date. Debt protection metrics as indicated by interest coverage ratio has improved from 13.04x in FY23 to 18.64x in FY24 as a result of rise in absolute EBITDA. Further, with improvement in EBITDA and gross cash accruals in FY24, Total Debt/EBITDA and Total debt/GCA have improved to 0.74x and 1.04x respectively as on March 31, 2024, against 1.42x and 2.06x respectively as on March 31, 2023. In April 2024, the company successfully completed its IPO and raised ~Rs.44.40 crore which has boosted its capital structure. The tangible net worth of the company stood at Rs.72.57 crore as on September 30, 2024. The overall gearing also stood comfortable at 0.22x as on September 30, 2024.



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Key Rating Weaknesses

- **Modest scale of operation**

Notwithstanding the growth in the topline, the scale of operation of the company remains modest marked by its total operating income at ~Rs.104 crore in FY24. Modest scale of operation restricts financial flexibility to an extent.

- **Exposure to geographical concentration risk**

The present order book is majorly skewed towards in Madhya Pradesh and Rajasthan from various government departments indicating a geographical concentration risk. However, the directors of the company have adequate experience in executing civil construction projects across Madhya Pradesh and Rajasthan and renewable solar energy in PAN India, which impart comfort to an extent.

- **Nascent stage of major contracts**

TGL has recently acquired contracts for setting up of 70MW (1.2 GW) ISTS (Inter State Transmission System) Connected Solar Power Projects from NHPC Ltd and several Rooftop Solar (RTS) Photovoltaic Power Projects for Rajasthan Renewable Energy Corporation Limited (RRECL). TGL is yet to start the execution of these contracts besides a large portion of a contract from Madhya Pradesh Jal Nigam is yet to be executed. Accordingly, the company is exposed to project execution risk, given that ~90% of the order book as on January 31, 2025, is in the nascent stages of execution. Infomerics Ratings notes that satisfactory execution for all the new and existing orders will remain a key monitorable for maintaining medium-term revenue visibility.

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

The domestic construction sector is highly crowded with the presence of many players with varied statures and capabilities. Further, the company receives work orders through tenders amidst an intense price war. The profit margins of the company may remain under pressure because of this highly competitive nature of industry.

- **Susceptibility of operating margin to volatile input prices**

Major raw materials used in civil construction activities are pipes, steel, and cement which are usually sourced from large players/dealers at proximate distances. The raw material & labour cost forms the majority chunk of the total cost of sales in this industry. As the raw material prices & labour cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour cost. However, the presence of escalation clause (for raw materials) in most of the contracts protect the margin to an extent.



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Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

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

Liquidity – Adequate

The liquidity profile of TGL is expected to remain adequate as the company is expected to generate adequate gross cash accruals in the range of Rs.30.07- Rs.62.01 crore to serve its debt obligations in the range of Rs.2.20-4.90 crore during FY25-FY27. However, the average fund-based utilization of the company remained moderate at ~75% during the past 12 months ended in January 2025 indicating moderate liquidity buffer for the company.

About the Company

Incorporated in 2019, Teerth Gopicon Limited specializes in engineering construction and development, mainly focusing on roads, sewerage and water distribution projects in Madhya Pradesh and expanding their geographical footprint to other states. The company mainly executes water infrastructure contracts for Madhya Pradesh Jal Nigam. Besides, water infrastructure contracts the company has forayed into execution of solar power projects for companies like NHPC Ltd, SJVN Ltd and Rajasthan Renewable Energy Corporation Limited.

Financials: Standalone

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	39.08	104.92
EBITDA	3.00	18.11
PAT	1.70	11.56
Total Debt	4.27	13.44
Tangible Net Worth	8.20	19.28
EBITDA Margin (%)	7.68	17.26
PAT Margin (%)	4.34	11.00
Overall Gearing Ratio (x)	3.85	1.10
Interest Coverage (x)	13.04	18.64

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Rating (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
1	Cash Credit/Bank Guarantee	Long Term/Short Term	8.00*	IVR BBB-; Stable/IVR A3	-	-	-
2.	Bank Guarantee	Short Term	17.00	IVR A3	-	-	-

*Cash credit of Rs.8.00 crore is the submit of BG.

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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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Annexure 1: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit/Bank Guarantee	-	-	-	8.00*	IVR BBB-; Stable/ IVR A3
Bank Guarantee	-	-	-	17.00	IVR A3

*Cash credit of Rs.8.00 crore is the submit of BG.

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-TeerthGopicon-mar25.pdf>

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.