



Press Release

Tarmac Road & Roof Builders

February 10, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1.	Long Term Bank Facilities	3.50	IVR BB/ Stable Outlook (IVR Double B with Stable Outlook)	Assigned
2.	Short Term Bank Facilities	12.00	IVR A4 (IVR A Four)	Assigned
	Total	15.50		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Tarmac Road & Roof Builders (TRRB) draws comfort from its established track record of promoters, reputed clientele albeit customer with comfortable capital structure and comfortable debt protection metrics. The rating also positively consider strong order book. However, these rating strengths are partially offset by small scale of operations with decline in operating income in FY20. The rating also considers the inherent risk of being a partnership firm.

Key Rating Sensitivities:

Upward Factor:

- Steady flow of orders & timely execution of the same leading substantial and sustained improvement in the revenue and cash accruals while maintaining the debt protection metrics and improvement in capital structure and liquidity

Downward factor:

- Delay in execution of order's in hand resulting in failure to achieve projected revenue and profitability
- Geopolitical disturbance in the area
- Any adverse regulatory changes.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of promoter's**

The partner has adequate number of years of experience in the civil construction industry which has helped the firm to successfully bid for tenders floated by various municipal bodies in Jammu & Kashmir region.

- **Reputed clientele albeit customer concentration**

TRRB mainly bids for tenders floated by various municipal bodies and is mainly engaged in construction of under-ground drains, sewerage lines and construction of sewerage treatment plants. Moreover, the company only works for contractual work and not as a sub-contractor for other contractors. Customers being government bodies imparts comfort with low counterparty risk.

- **Strong Order book**

The firm has an strong order book of ~Rs 300 crore as on May 2019, expected to be completed within next three to four years, indicating a satisfactory near to long term revenue visibility.

- **Comfortable capital structure with comfortable debt protection metrics**

The company capital structure is comfortable with long term debt and overall gearing ratio of 0.07x and 0.09x as on March 31, 2020 (0.08x and 0.37x as on March 31, 2019). The total indebtedness of the company as reflected by TOL/TNW improved marginally from 1.56x in FY19 to 1.17x in FY20 due to decrease in utilization of OD facility and capital infusion by partners. The debt protection metrics of the company remained healthy with interest coverage ratio and Total debt/ GCA at 10.98x and 0.54x in FY20. The gross cash accruals of the company witnessed an decline from Rs 4.31crore to Rs 2.35 crore.

Key Rating Weaknesses

- **Small scale of operation**

The scale of operation is small and TRRB remains a marginal player in the construction industry which is largely dominated by large and established players with intense competition in the operating spectrum. Small scale of operations restricts the financial flexibility of the



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company in times of stress. The net worth base of the company also remained modest at Rs.14.51crore as on March 31, 2020

- **Decline in operating income in FY20**

TRRB total operational income declined from Rs.60.51 Crore in FY19 to Rs.37.15 crore in FY20 due to accumulation of external forces like invocation of Article 370 and Covid 19 Pandemic. With the decrease in total operating income , absolute EBITDA and PBT declined from Rs 5.77crore, 5.67 crore FY19 to Rs 3.52 crore ,3.74 crore FY20.Further till December 2020, the firm has achieved the total operating income of Rs 37.70 crore.

- **Inherent risks for being a partnership firm**

Being a partnership firm, it is exposed to the risk, capital withdrawals by the partners and extent of withdrawal going forward will remain a key monitorable, the risk of dissolution of the firm upon the death, retirement or insolvency of partners.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Construction Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

TRRB has a current ratio at 1.63x as on March 31, 2020 and generate a cash accruals of Rs.2.35 crore as against a negligible repayment obligations of vehicle loan. Further, the liquidity profile of TRRB is expected to remain adequate marked by its expected satisfactory cash accrual of ~Rs.6 - 7 crore vis a- vis its low debt repayment obligations. Further, the firm has minimal capex requirement and has no planned availment of long-term debt which imparts comfort. Further, the average working capital utilisation for past 12 months ending November 2020 is ~63% which provides additional head room for working capital requirements. Further, the non-fund based limits of the firm also remained highly utilized at ~100% till December 2020.



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About the Firm

Tarmac Road & Roof Builders is a partnership firm established in 2016. TRRB is primarily engaged in construction of roads, highway, bridges & buildings and is a “S Class” Civil construction. The firm receives order from municipal corporation in Jammu & Kashmir state. The Firm has over the years carved out a niche for itself as specialists in construction of infrastructure development projects.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	60.51	37.15
EBITDA	5.77	3.52
PAT	3.83	1.82
Total Debt	4.53	1.26
Tangible Net worth	12.39	14.51
EBITDA Margin (%)	9.54	9.48
PAT Margin (%)	6.27	4.77
Overall Gearing Ratio (x)	0.37	0.09

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Fund Based Limits- Secured OD	Long Term	3.50	IVR BB/ Stable Outlook	-	-	-
2.	Non- Fund Based Limits- BG	Short Term	12.00	IVR A4	-	-	-



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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.

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About Infomerics:

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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
Fund Based Limits-Secured OD	-	-	-	3.50	IVR BB/ Stable Outlook
Non- Fund Based Limits-Bank Guarantee	-	-	-	12.00	IVR A4