

December 04, 2023

Trineva Infra Projects Private Limited: Ratings reaffirmed; outlook revised to Negative from Stable; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based/CC	37.00	67.00	[ICRA]BBB-(Negative); reaffirmed/assigned; outlook revised to Negative from Stable
Short-term – Non-fund based	41.50	91.50	[ICRA]A3; reaffirmed/assigned
Long-term/ Short-term – Unallocated	1.50	1.50	[ICRA]BBB-(Negative)/[ICRA]A3; reaffirmed/assigned; outlook revised to Negative from Stable
Total	80.00	160.00	

*Instrument details are provided in Annexure-I

Rationale

The outlook revision to Negative reflects ICRA's expectation that the credit profile of Trineva Infra Projects Private Limited (TIPPL) could witness pressure in the near to medium term on account of elongation in working capital cycle and moderation in order book, which constrains revenue visibility. The pending order book of Rs. 902.7 crore as on September 31, 2023 (against Rs. 1,083.62 crore as on March 31, 2022) provides near-term revenue visibility with an order book/operating income (OB/OI) of 1.6 times (of FY2023's OI). However, the OB/OI has scaled down from the past levels (FY2022: 2.05 times, FY2021: 2.74 times). Moreover, sizeable debt-funded investment in non-core business has substantially weakened the leverage and coverage metrics. The ratings continue to favourably factor in the promoters' extensive experience in the construction sector for nearly two decades by virtue of their association with CMK Projects Private Limited and V Sathyamoorthy & Company. These companies have undertaken civil construction works involving roads, buildings and irrigation projects for government, semi-government, and private entities.

The ratings remain constrained by the concentration of TIPPL's projects in Tamil Nadu (92% of the pending order book position as on September 30, 2023), and high share of sub-contracted works (45% of the pending order book), which are entirely from its Group entities/related parties with principals being state government bodies such as Tamil Nadu State Government Water Resources Department (WRD), Rajiv Gandhi Housing Corporation Limited (a Karnataka State Government Enterprise), Tamil Nadu Slum Clearance Board (TNSCB) and Tamil Nadu Housing Board (TNHB), among others. The company's ability to secure more orders as a principal contractor to support growth and prudently manage its working capital cycle, will be a key monitorable. The ratings continue to factor in the susceptibility of its profitability to raw material price fluctuations and the intense competition that prevails in the construction sector. The company is vulnerable to sizeable contingent liabilities in the form of bank guarantees (~Rs. 48.9 crore as on October 12, 2023), mainly towards performance guarantee, mobilisation advance and security deposits. Nonetheless, ICRA draws comfort from TIPPL's healthy execution track record and no invocation of guarantees in the past.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in civil construction industry – TIPPL’s promoters, Mr. C.K. Venkatachalam and Mr. S. Anandavadivel, have an extensive experience of nearly two decades in the construction industry by virtue of their association with CMK Projects Private Limited and V Sathyamoorthy & Company. These companies have undertaken civil construction works involving roads, buildings and irrigation projects for government, semi-government and private entities.

Comfortable coverage metrics – The coverage metrics remain comfortable with interest cover of 5.8 times and DSCR of 2.5 times. However, there has been moderation in coverage metrics from FY2022 level. ICRA expects the coverage metrics to remain comfortable, with interest cover likely to remain above 4 times in the medium term.

Credit challenges

Modest order book – TIPPL’s unexecuted order book stood at Rs. 902.7 crore as on September 30, 2023 resulting in OB/OI of 1.6 times (of FY2023’s OI) reflecting a sustained decline over the past few years (FY2022: 2.05 times, FY2021: 2.74 times) mainly due to slow order inflow. The company faces geographical concentration risk with order book dominated by projects mainly from Tamil Nadu (92% of pending order book) with WRD, TNSCB and TNHB being the key clients. Besides, segmental concentration remains high with top two segments (building construction [such as tenements, bus stands] and water pipeline work) accounting for 89% of the pending order book position as on September 30, 2023. Although the current order book provides near-term revenue visibility, the company’s ability to secure more orders as a principal contractor will remain essential to support its growth.

Elongated working capital cycle; increase in leverage owing to debt-funded investments in non-core activities and high creditors – TIPPL’s working capital cycle has weakened over the recent years with a build-up in receivables and retention money outstanding of Rs. 217.54 crore as on March 31, 2023 (against Rs. 134.91 crore in FY2022) due to delayed payment from its key customers, resulting in a stretch in its trade payables. Further, it has made significant investments in non-core activities in FY2023, with land worth Rs. 23.7 crore in Tamil Nadu for development of residential complexes and Rs. 12.37 crore in W.S. Industries (India) Limited (a listed entity) for a 13.12% equity stake, as a part of business interests of TIPPL’s promoters in the entity. Altogether, these investments have been funded through high interest-bearing unsecured loans from various third parties and do not carry a fixed repayment obligation. Any further investments in non-core activities may adversely impact the company’s liquidity position.

Vulnerability of profitability to adverse fluctuations in input prices and intense competition – TIPPL’s margins are susceptible to adverse fluctuations in raw material (steel and cement) prices to the extent not covered under the price escalation clause. It procures orders through competitive bidding. Given the presence of multiple players in the construction sector, the company faces stiff competition, which could constrain its ability to procure new orders in future. Further, increased reliance on sub-contracting its work keeps a limited buffer in margins for absorbing any unforeseen volatility.

Liquidity position: Stretched

TIPPL’s liquidity position is stretched, characterised by elongated payables and major debt-funded investments in non-core activities. Although the company has limited fixed repayment obligation of Rs. 2.1 crore in FY2024 and Rs. 1.1 crore in FY2025, it has a limited buffer in working capital limits with average utilisation of 81% during the 13 months that ended in September

2023. Any further repayments towards unsecured loans, incremental investments in non-core assets or debt-funded capital expenditure may adversely impact its liquidity position.

Rating sensitivities

Positive factors – ICRA would revise the outlook to Stable, in case the company is able to demonstrate material improvement in liquidity position and improve its asset-liability mismatch, while maintaining its scale of operations and coverage metrics.

Negative factors – ICRA would downgrade the rating in case of any material increase in non-core assets impacting its liquidity position or debt protection metrics. Further, if the company witnesses slower execution or slowdown in new order addition which impacts profitability could result in negative rating action. Deterioration in working capital cycle, which could adversely impact liquidity position will be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology - Construction
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

TIPPL, incorporated in February 2018, by Mr. C. K. Venkatachalam and Mr. S. Anandavadivel, is involved in the civil construction sector with key focus on buildings and roads for government, semi-government and private entities. Its registered office is in Bangalore (Karnataka). The company executes projects predominantly in Tamil Nadu and has recently diversified into other geographies such as Maharashtra, Kerala and Karnataka. The promoters, Mr. Venkatachalam and Mr. Anandavadivel, have extensive experience in the construction industry vide their association with other entities involved in similar businesses for over two decades – CMK Projects Private Limited and V Sathyamoorthy and Company.

Key financial indicators (audited)

TIPPL	FY2022	FY2023
Operating income (Rs. crore)	528.2	576.5
PAT (Rs. crore)	29.6	29.0
OPBDIT/OI (%)	10.4%	8.6%
PAT/OI (%)	5.6%	5.0%
Total outside liabilities/Tangible net worth (times)	2.3	2.8
Total debt/OPBDIT (times)	0.8	2.0
Interest coverage (times)	8.0	5.8

Source: Company, ICRA Research, PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2024)			Chronology of rating history for the past 3 years			
	Type	Amount rated (Rs. crore)	Amount outstanding as on March 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Dec 04, 2023	Sep 30, 2022	Jun 18, 2021	Jan 08, 2021
1 Fund-based/CC	Long-term	67.00	-	[ICRA]BBB-(Negative)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BB+ (Stable)
2 Non-fund based	Short-term	91.50	-	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A4+
3 Unallocated	Long-term/short-term	1.50	-	[ICRA]BBB-(Negative)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3	-	[ICRA]BB+ (Stable)/[ICRA]A4+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based/CC	Simple
Short-term – Non-fund based	Very Simple
Long-term/ Short-term – Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based facilities	NA	NA	NA	67.00	[ICRA]BBB-(Negative)
NA	Non-fund based facilities	NA	NA	NA	91.50	[ICRA]A3
NA	Unallocated	NA	NA	NA	1.50	[ICRA]BBB-(Negative)/[ICRA]A3

Source: TIPPL and ICRA

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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