

August 09, 2024

T and T Infra Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based limits/CC	45.00	60.00	[ICRA]A-(Stable); reaffirmed/assigned for enhanced amount
Long-term Non-fund based limits	50.00	101.70	[ICRA]A-(Stable); reaffirmed/assigned for enhanced amount
Long-term/ Short-term (Fund based/ Non-fund based)	30.00	-	-
Long-term/ Short-term (Fund based/ Non-fund based) - Proposed	-	38.30	[ICRA]A-(Stable)/[ICRA]A2+; assigned
Total	125.00	200.00	

*Instrument details are provided in Annexure-I

Rationale

The rating action favourably factors in T and T Infra Limited's (TTIL) comfortable financial profile, marked by low leverage (TOL/TNW¹ at 1.0 times as on March 31, 2024 provisional) and interest coverage of 9.5 times as on March 31, 2024 (provisional, March 2023: 6.4 times). The ratings consider the significant increase in scale of operations, with FY2024 (provisional) revenue of Rs. 915.3 crore (45.2% YoY growth). The unexecuted order book stood at Rs. 2,113.1 crore as on March 31, 2024, providing adequate revenue visibility, considering the average execution period of 2.5 to 3 years. TTIL has planned an annual capex of Rs. 40-60 crore in FY2025 and FY2026, towards equipment and machineries, which is expected to be largely funded by debt with a three-year maturity period. With expiry of relaxation benefits under Atmanirbhar scheme post March 2024, the working capital requirement will rise going forward. Hence, the company's ability to judiciously manage its working capital cycle remains crucial to maintain an adequate liquidity position. The ratings factor in the extensive experience of the promoters, spanning over three decades in the civil construction industry, which helped TTIL to establish strong relationships with its customers as well as suppliers.

These strengths are partially offset by the high geographical concentration risk (100% orders in Maharashtra) and sizeable exposure of the order book (~51%) to state government entities as well as local authorities. However, the same has reduced with order inflows from the Central Government entities over the past few years. The order book is also exposed to execution risk, as ~68% of the unexecuted order book as on March 31, 2024 was in the nascent stages of execution (less than 20% executed) and work was yet to commence for ~51% of orders. The operating margins, though comfortable, witnessed a declining trend since FY2020 and moderated to 11.8% in FY2024, owing to a shift in revenue mix towards road/bridge projects from highly competitive National Highways Authority of India (NHAI, rated [ICRA]AAA(Stable)), Ministry of Road Transport and Highways (MoRTH) and other Central Government agencies. Further, TTIL remains vulnerable to the inherent sectoral risks like stiff competition, cost and time overruns and the likely impact on margins due to input price escalations. The ratings factor in the inherent exposure to sizeable contingent liabilities in the form of bank guarantees, mainly for contractual performance, mobilisation advance and security deposits. Nonetheless, ICRA draws comfort from TTIL's execution track record and the absence of invocation of guarantees in the past. The company is likely to remain focused on the engineering, procurement and construction (EPC) segment. TTIL also remains exposed to risks arising out of development assets, given the investment in a resort project at Mahabaleshwar, Maharashtra, which is expected to be partially funded by debt (~50% of proposed equity

¹ Total outside liabilities to tangible net worth

contribution has been infused). Large investments towards developmental projects or non-core investments, if any, which could materially impact its liquidity, will be a credit negative.

The Stable outlook reflects ICRA's opinion that TTIL's credit profile will benefit from its improved scale of operations and comfortable capital structure and coverage metrics.

Key rating drivers and their description

Credit strengths

Comfortable capital structure and healthy coverage indicators – The company's capital structure remained comfortable with TOL/TNW at 1.0 times as on March 31, 2024, supported by reduced, albeit comfortable, operating margins aiding the net worth and low dependence on external borrowings. The coverage indicators remained robust with interest coverage at 9.5 times (March 2023: 6.4 times) and DSCR of 4.0 times in FY2024. ICRA expects TTIL's leverage and coverage to remain comfortable going forward, despite its predominantly debt-funded capital expenditure plans for FY2025 and FY2026 to the extent of Rs. 40-60 crore per annum.

Adequate order book position provides near-term revenue visibility – The unexecuted order book stood at Rs. 2,113.1 crore as on March 31, 2024, providing adequate revenue visibility, considering the average execution period of 2.5 to 3 years. ICRA draws comfort from the demonstrated track record of ramp-up in execution in FY2024, as depicted by YoY revenue growth of 45.2% to Rs. 915.3 crore and healthy billing of ~Rs. 200 crore in Q1 FY2025. Going forward, sustained inflow of orders and timely execution of the same within the budgeted costs would be critical for the expected scale up in its operations and sustenance of operating profitability.

Extensive experience of management team in civil construction sector – TTIL is headed by Mr. Shrimant Tandulkar and Mr. Shivram Thorave, who have close to three decades of experience in the civil construction industry. Their long tenure in the civil construction space has helped the company to establish strong relationships with its customers as well as suppliers.

Credit challenges

High geographical concentration and project execution risks – TTIL's current outstanding order book is concentrated in the bridges, roads and flyover segments, which constitute ~87% of the unexecuted order book. It is exposed to geographical concentration risk as all the projects are in Maharashtra. While the geographical concentration of projects supports optimal resource deployment, its impact on the company's revenues could be severe if the region of operations gets affected by unforeseen risks. It faces high project and client concentration risks with top three clients contributing to 62% of the unexecuted order book and 51% of orders having state government and local authorities as counterparties. However, ICRA takes note of orders from the NHAI [rated [ICRA]AAA (Stable)] and MoRTH in the past few years, which has helped in diversifying the order book to an extent. TTIL is vulnerable to high execution risk, given that around 68% of the order book as on March 31, 2024 is in the nascent stages of execution (less than 20% executed) and work is yet to commence for ~51% of these projects. It is further exposed to certain slow-moving orders to the extent of ~23% of the outstanding order book. However, the company has requisite extensions for most of these orders. Nevertheless, timely execution of orders and a ramp-up of the order book position will be critical in sustaining the revenue growth going forward.

Intense competition in construction industry – The domestic civil construction industry is fragmented and highly competitive as evident from the moderate bid to success ratios. Garnering adequate number of projects and ensuring their movement remains the key for optimal use of resources and ultimately improve the profitability. The built-in price escalation clause in majority of the contracts protects the operating margin from raw material price fluctuation risk to some extent, in case of delays leading to cost overruns. TTIL's operating margins, though comfortable, witnessed a declining trend since FY2020 and moderated to 11.8% in FY2024, due to a shift in revenue mix towards projects from highly competitive NHAI, MoRTH and other Central Government agencies, resulting in aggressive bidding in some cases. Timely execution of orders, along with sustenance of operating profitability margins and working capital cycle will remain a key monitorable.

Liquidity position: Adequate

TTIL's liquidity position is adequate, supported by free cash balance of ~Rs. 15 crore as on July 25, 2024 and sufficient cushion in working capital lines worth Rs. 49.3 crore available in fund-based limits as on June 30, 2024. The principal debt repayment of Rs. 7.8 crore in FY2025 is expected to be comfortably serviced from its operating cash flows.

Rating sensitivities

Positive factors – TTIL's ratings could be upgraded if there is a significant improvement in its scale of operations and profitability on a sustained basis, along with improved business diversification while maintaining strong debt protection metrics.

Negative factors – Negative pressure on TTIL's ratings could arise if there is a material decline in scale of operations, and/or if there is any deterioration in the company's working capital cycle impacting its profitability and liquidity position. TOL/TNW increasing beyond 1.25 times, on a sustained basis, could exert downward pressure on the ratings. A higher-than-expected increase in exposure to developmental projects such as HAM or BOT projects could also result in a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Construction Entities
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered consolidated financials of TTIL. The list of entities that are consolidated to arrive at the ratings are given in Annexure II.

About the company

Incorporated in 2004 as a partnership firm by Mr. Shrimant Tandulkar and Mr. Shivram Thorave, TTIL was subsequently converted into a private limited company in 2012 and public limited company in 2018. It undertakes civil engineering works, such as the construction of bridges, industrial buildings, roads and others, for Public Works Department, MoRTH, NHAI, Pune Municipal Corporation, Pimpri Chinchwad Municipal Corporation, Mumbai Metropolitan Region Development Authority, Maharashtra State Road Development Corporation and others.

Key financial indicators (audited)

TTIL – Consolidated	FY2023	FY2024*
Operating income (Rs. crore)	630.4	915.3
PAT (Rs. crore)	39.2	60.6
OPBDIT/OI (%)	12.3%	11.8%
PAT/OI (%)	6.2%	6.6%
Total outside liabilities/Tangible net worth (times)	1.0	1.0
Total debt/OPBDIT (times)	0.8	1.0
Interest coverage (times)	6.4	9.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations. PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation, *Standalone provisional

Status of non-cooperation with previous CRA: India Ratings and Research, vide its press release dated July 14, 2024, has mentioned that TTIL did not participate in the rating exercise despite continuous requests and follow-ups by the agency. Therefore, due to inadequate information and lack of management cooperation, the rating on the bank facilities of TTIL continues to be in 'Issuer not cooperating' with rating being IND BB/Stable (Issuer Not Cooperating)/ IND A4+ (Issuer Not Cooperating)

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years		
	Type	Amount rated (Rs. crore)	Aug 09, 2024	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Oct 20, 2023	Nov 22, 2022	Aug 11, 2021
1 Fund-based limits/CC	Long Term	60.00	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB+ (Positive)	[ICRA]A-(Stable)/[ICRA]A2+
2 Non-fund based limits	Long Term	101.70	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB+ (Positive)	[ICRA]BBB(Positive)
3 Fund-based/ Non-fund based	Long Term/Short Term	-	-	[ICRA]A-(Stable)/[ICRA]A2+	[ICRA]BBB+ (Positive)/[ICRA]A2	[ICRA]BBB (Positive)/[ICRA]A3+
4 Fund-based/ Non-fund based - Proposed	Long Term/Short Term	38.30	[ICRA]A-(Stable)/[ICRA]A2+	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based limits/CC	Simple
Long-term Non-fund based limits	Very Simple
Long-term/ Short-term (Fund based/ Non-fund based) Proposed	Very Simple

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	Cash credit	NA	NA	NA	60.00	[ICRA]A-(Stable)
NA	Bank guarantees	NA	NA	NA	101.70	[ICRA]A-(Stable)
NA	Fund-based/ Non-fund based - Proposed	NA	NA	NA	38.30	[ICRA]A-(Stable)/[ICRA]A2+

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company Name	TTIL Ownership	Consolidation Approach
T and T Altis JV	100%	Proportionate Consolidation
T and T Spacechem JV	51%	Proportionate Consolidation
Thakur and T and T JV	49%	Proportionate Consolidation

Source: Company

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About ICRA Limited:

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Branches



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