February 10, 2022

# Tribeni Constructions Limited: Long-term rating of [ICRA]A- (Stable) and short-term rating of [ICRA]A2+ assigned

### Summary of rating action

| Instrument | Current Rated Amount (Rs. crore) | Rating Action |
|---|---|---|
| Fund-based – Term Loan | 20.0 | [ICRA]A- (Stable); assigned |
| Fund-based – Cash Credit | 33.0 | [ICRA]A- (Stable); assigned |
| Fund-based – Proposed Cash Credit | 5.0 | [ICRA]A- (Stable); assigned |
| Fund-based – Standby Line of Credit | 4.0 | [ICRA]A- (Stable); assigned |
| Fund-based – Working Capital Demand Loan | 5.0 | [ICRA]A- (Stable); assigned |
| Non-fund based -Bank Guarantee | 173.0 | [ICRA]A- (Stable)/[ICRA]A2+; assigned |
| Non-fund based -Proposed Bank Guarantee | 30.0 | [ICRA]A- (Stable)/[ICRA]A2+; assigned |
| **Total** | **270.0** | |

## Rationale

The assigned ratings favorably factor in the vast experience of the promoters of Tribeni Constructions Limited (TCL) in the construction business and the company's healthy order book of Rs. 1,693.2 crore as of November 2021 (~3.5 times of FY2021 revenue) that provides medium-term revenue visibility. The company has an above-average financial risk profile, characterised by TOL/TNW of 1.2 times and interest coverage of 6 times for FY2021. Further, the order book is diversified with the company executing more than 90 works and the top-five projects accounting for 45% of the order book. The ratings are also supported by low counterparty credit risk with the entire order book from Government departments and public-sector entities.

The ratings are, however, constrained by TCL's moderate scale of operations, its modest operating profitability of 8-10% and the working capital intensive operations. The cash conversion cycle is high at around 90 days, resulting in limited cushion in working-capital limits (average fund-based utilisation of around 70% between April and October 2021) and low free cash balances. Given the expected increase in the scale of operations, the working capital requirements are likely to be supported by the timely receipt of payments from its customers and sanction of additional term loan. Further, the company had high encumbered cash balances of Rs. 47.2 crore as on March 31, 2021 constraining its liquidity position, though ICRA expects the release of encumbered cash and retention money to support its liquidity position in the near to medium term.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that the company is likely to maintain a stable credit profile in the backdrop of healthy revenue visibility.

## Key rating drivers and their description

### Credit strengths

**Healthy order book gives medium-term revenue visibility –** TCL had an order book of Rs. 1,693.2 crore as of November 2021 (~3.5 times of the revenues in FY2021), providing medium-term revenue visibility. The overall execution risk remains high with 60% of the order book having an execution progress of less than 10%; however, the execution has already commenced and the first billing is expected to be raised in Q4 FY2022. Any delay in ramping up the billing of these projects will adversely impact the revenues for FY2023 and will be a key rating monitorable. Further, the order book is diversified with the top-five projects accounting for 45% of the order book.

**Low counterparty credit risk -** The company executes orders mainly for Government departments and public-sector entities. The clientele includes Central Public Works Departments (CPWD), North Frontier Railway, Eastern Railways, Rail Vikas Nigam

Limited (RVNL), National Projects Construction Company (NPCC) Limited, NBCC (India) Limited, Assam PWD, etc. The reputed client profile results in low counterparty credit risk.

**Comfortable financial risk profile –** TCL's financial risk profile is comfortable with TOL/TNW of 1.2 times as on March 31, 2021 which is expected to improve to around 1.0 times as on March 31, 2022. Other debt coverage indicators also remain satisfactory with interest coverage of 6.0 times and DSCR of 1.6 times for FY2021 owing to moderate debt levels.

**Extensive experience of promoters in construction business –** The company's promoters have more than four decades of experience in the civil construction business. The vast experience of TCL's promoters and the company's established track record of operations support its business profile.

### Credit challenges

**Moderate scale of operations –** The scale of operations remains moderate compared to the peers in the similar rating category. The performance in FY2021 was impacted by Covid-related disruptions; though the company is expected to register over 10% growth with overall revenues in excess of Rs 545 crore in FY2022. In 9M FY2022, TCL has achieved billings of Rs. 295.8 crore on the back of improved order execution.

**Moderate profitability margins -** The profitability margins are moderate at 8-10% in the past two years which declined from 13% in FY2019. Further, the operating margins are expected to remain moderate at around 10% going forward despite limited sub-contracting. Given that majority of the projects have price escalation clauses, the operating margins are protected to an extent.

**High cash conversion cycle constraining the liquidity position –** The company has high cash conversion cycle (around 90 days as of FY2021-end) which resulted in limited cushion in working capital limits with average fund-based utilisation of around 75% (April to October 2021) and low free cash balances. Given the expected increase in the scale of operations, the ability of the company to fund the working capital requirements remains a key monitorable. Timely payments from its customers, sanction of additional term loan and release of retention money with enhancement in non-fund based limits will support its liquidity position. Further, high encumbered cash balances of Rs 47.2 crore as on March 31, 2021 also impacted the liquidity position.

## Liquidity position: Adequate

The company's liquidity position is adequate evident from the cushion available in its working capital limits with average fund-based utilisation of around 70% between April and October 2021. The company is expected to generate cash profits of over Rs 40 crore in FY2022e, which should be adequate to meet the margin requirement for incremental working capital funding as well as debt repayment obligations of Rs 11.63 crore. The company also plans to avail Rs 10 crore of additional long-term loans, which will be primarily deployed for working capital requirement, augmenting its liquidity position. TCL has capital expenditure plans of around Rs. 8-10 crore in FY2022, which will be funded by equipment loans and internal accruals.

### Rating sensitivities

**Positive factors –** ICRA may upgrade TCL's ratings if the company demonstrates a significant improvement in the scale of operations along with an improvement in its profitability margins and liquidity position.

**Negative factors –** Pressure on TCL's ratings may arise due to a significant decline in the company's revenue or profits or an increase in the working capital intensity of operations adversely impacting its liquidity position. Specific credit metrics for a rating downgrade include the DSCR falling below 1.8 times on a sustained basis.

## Analytical approach

| Analytical Approach | Comments |
|---|---|
| **Applicable Rating Methodologies** | Corporate Credit Rating Methodology<br>Rating Methodology for Construction entities |
| **Parent/Group Support** | Not Applicable |
| **Consolidation/Standalone** | The rating is based on the company's standalone financials |

## About the company

Tribeni Constructions Limited (TCL), previously known as Tribeni Constructions Private Limited (incorporated in 2000), is engaged in the civil construction business, working primarily in the eastern part of India. The promoters started the entity as a partnership firm in 1982 and then converted it into a public company in 2007. It has expertise in earthwork and construction of bridges, tunnel, multi-storied buildings, etc. The company works for clients like CPWD, North Frontier Railway, Eastern Railways, BHEL, IOCL, Assam PWD, etc. The company is a Class I(AA) Composite category contractor of CPWD and Class I(A) contractor for PWD Assam.

## Key financial indicators (audited)

| Tribeni Constructions Limited | FY2020 | FY2021 |
|---|---|---|
| Operating Income (Rs. crore) | 524.3 | 481.2 |
| PAT (Rs. crore) | 18.8 | 21.2 |
| OPBDIT/OI (%) | 8.9% | 9.3% |
| PAT/OI (%) | 3.6% | 4.4% |
| Total Outside Liabilities/Tangible Net Worth (times) | 1.4 | 1.2 |
| Total Debt/OPBDIT (times) | 1.7 | 1.8 |
| Interest Coverage (times) | 4.8 | 6.0 |

*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 (FY2022) | | | | Chronology of Rating Historyfor the past 3 years | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating on | Date & Rating in FY2021 | Date & Rating in FY2020 | Date & Rating in FY2019 |
| | | | | | 10 Feb 2022 | - | - | - |
| 1 | Term loan | Long-term | 20.0 | - | [ICRA]A- (Stable) | - | - | - |
| 2 | Cash Credit | Long-term | 33.0 | - | [ICRA]A- (Stable) | - | - | - |
| 3 | Proposed Cash Credit | Long-term | 5.0 | - | [ICRA]A- (Stable) | - | - | - |
| 4 | Standby Line of Credit | Long-term | 4.0 | - | [ICRA]A- (Stable) | - | - | - |
| 5 | Working Capital Demand Loan | Long-term | 5.0 | - | [ICRA]A- (Stable) | - | - | - |
| 6 | Bank Guarantee | Long-term /Short term | 173.0 | - | [ICRA]A- (Stable) /[ICRA]A2+ | - | - | - |
| 7 | Proposed Bank Guarantee | Long-term /Short term | 30.0 | - | [ICRA]A- (Stable) /[ICRA]A2+ | - | - | - |

## Complexity level of the rated instruments:

| Instrument | Complexity Indicator |
|---|---|
| Term loan | Simple |
| Cash Credit | Simple |
| Standby Line of Credit | Simple |
| Working Capital Demand Loan | Simple |
| Bank Guarantee | Very simple |
| Unallocated | NA |

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 analyzing 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, is available on ICRA's website: [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument details

| ISIN No/ Banker Name | Instrument Name | Date of Issuance | Coupon Rate | Maturity | Amount Rated (Rs. Crore) | Current Rating and Outlook |
|---|---|---|---|---|---|---|
| - | Term loan 1 | FY2020 | 10.5% | FY2024 | 20.0 | [ICRA]A- (Stable) |
| - | Term loan 2 | FY2021 | 9.5% | FY2025 | | |
| - | Cash Credit | - | - | - | 33.0 | [ICRA]A- (Stable) |
| - | Proposed Cash Credit | - | - | - | 5.0 | [ICRA]A- (Stable) |
| - | Standby Line of Credit | - | - | - | 4.0 | [ICRA]A- (Stable) |
| - | Working Capital Demand Loan | - | - | - | 5.0 | [ICRA]A- (Stable) |
| - | Bank Guarantee | - | - | - | 173.0 | [ICRA]A- (Stable) /[ICRA]A2+ |
| - | Proposed Bank Guarantee | - | - | - | 30.0 | [ICRA]A- (Stable) /[ICRA]A2+ |

***Source:*** *Company*

*Please click here to view details of lender-wise facilities rated by ICRA*

### Annexure-2: List of entities considered for consolidated analysis- NA

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## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

## ICRA Limited

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