

Tara Tarini Construction Private Limited
 February 18, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	9.60	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB-; Stable; (Double B Minus; Outlook: Stable)
Total Bank Facilities	9.60 (Rs. Nine Crore and Sixty Lakhs Only)		

*Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Tara Tarini Construction Private Limited (TCPL) to monitor the rating vide e-mail communications/letters dated February 02, 2021, February 03, 2021, February 05, 2021 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which, however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on TCPL's bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING**. Further, the banker could not be contacted.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

Detailed description of the key rating drivers**Key Rating Weaknesses****Small scale of operations with low profitability margins**

TCPL is a relatively small player in the construction business with total operating income and PAT of Rs. 69.80 crore and Rs. 3.51 crore, respectively, in FY19. The small size restricts the financial flexibility of the company in times of stress. Further, the total capital employed was also low at Rs.24.85 crore as on Mar.31, 2019. This apart, profitability margin has been moderately low. Both the PBILD and PAT margin has been hovering around 11.40% and 5.03%, respectively, during FY19.

Intense competition within the industry owing to low entry barrier

The civil construction space is highly competitive with many players operating in the sector affecting the profitability of the participants. Furthermore, the company is largely dependent on government authorities for orders and mainly procures its orders through tender bidding and in a highly competitive scenario risk of non-receiving of contract in tender bidding is also high.

Susceptibility of operating margin due to volatility in input material prices and labour charges

The basic input materials for execution of construction projects and works contracts are steel, stone chips, bitumen, cement etc. The prices of which are highly volatile. However, currently government agencies' work contracts have price escalation clause which mitigate price volatility risk to some extent. Furthermore, the operating margin of the company is exposed to sudden spurt in the input material prices along with increase in labour prices being in labour intensive industry.

Working capital intensive nature of operation

The operation of the company is working capital intensive marked by high utilization of bank borrowing during last 12 months ended Aug.2018, was 85%.

Key Rating Strengths**Experienced promoters with long track record**

TCPL has been in operation since 2009, accordingly has a long track record of operation. Further, the company is managed by Mr. Swarajya Kumar Sahu, MD, along with other director and a team of experienced personnel. The directors are having around three decades of experience in construction business.

Comfortable capital structure and debt coverage indicators

The capital structure of the company is comfortable marked by below unity overall gearing ratio as on March 31, 2019. This apart, interest coverage ratio was also comfortable at 6.93x during FY19 and Total debt to GCA was also comfortable at 0.78x. Current ratio was satisfactory as on March 31, 2019.

Analytical approach: Standalone.

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch'](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Tara Tarini Construction Pvt Ltd (TCPL) was incorporated during 2009 in Koraput, Odisha. TCPL is a relatively small sized Odisha based company engaged in providing different types of civil construction services, which include land development, construction of roads, bridges and other constructions. The day to day operations are looked after by Mr. Swarajya Kumar Sahu, MD, along with other director and a team of experienced personnel.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	54.16	69.80
PBILDT	6.00	7.96
PAT	2.05	3.51
Overall gearing (times)	0.27	0.20
Interest coverage (times)	5.79	6.93

A: Audited

Status of non-cooperation with previous CRA: Nil.

Any other information: Not applicable.

Rating History (Last three years): Please refer Annexure-2

Detailed explanation of covenants of the rated facilities: Annexure-3

Complexity level of various instruments rated for this Entity: Annexure-4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	9.60	CARE B+; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	9.60	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (10-Dec-19)	1)CARE BB; Stable (08-Jan-19)	-

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated facilities: Not applicable.

Annexure 4: Complexity level of various instruments rated for this Entity

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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