Technocraft Construction Private Limited

February 01, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	30.50	CARE BB+; Stable	Assigned
Long Term / Short Term Bank Facilities	139.50	CARE BB+; Stable / CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Technocraft Construction Private Limited (TCPL) are constrained by concentrated albeit healthy order book of the company and modest scale of operations of the company. The ratings also factor in working capital intensive nature of operations as characterized by elongated operating cycle with high utilisation of working capital limits and intense competition in the construction industry. The ratings are, however, deriving comfort from track record of the promoters in the construction industry, average financial profile of the company as characterized by modest debt coverage metrics and reputed clientele of the company.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in of operations of the company as marked by the increase in total operating income above Rs. 400 crores with a PBILDT margin above 13.00% on a sustained basis
- Maintaining a healthy operating cycle below 150 days

Negative factors

- Decline in scale of operations as marked by the total operating income below Rs. 150 crores with a PBILDT margin below 12.00%
- Deterioration in debt profile of the company with overall gearing above 1.40x
- Elongation of operating cycle of the company above 200 days thus impacting the liquidity position of the company negatively.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity shall sustain stable scale of operations along with steady profitability margins on the back of experienced promoters with long track of operations.

Detailed description of the key rating drivers:

Key weaknesses

Concentrated albeit healthy order book position: The company has an unexecuted order book position of Rs. 1004.43 crore as on October 31, 2023, representing 5.62x of the total operating income of FY23 (refers to the period April 01, 2022, to March 31, 2023). However, the order book is geographically concentrated with majority of the orders from Uttar Pradesh and Rajasthan. Further, there is client concentration also with over 70% of the orders from Municipal Corporation and Nagar Nigam, Rajasthan out of the total unexecuted order book. Timely execution with faster realisation from these projects will remain a key monitorable.

Weak debt coverage metrics albeit moderate capital structure: The TOL/TNW (Total Outside liabilities/ Tangible Net worth) and TD/GCA (Total Debt/ Gross Cash Accruals) stood high at 1.55x and 5.25x respectively as on March 31, 2023 (PY: 1.87x and 11.78x as on March 31, 2022, respectively). However, overall gearing stood comfortable at 0.86x as on March 31, 2023, improving from 1.31x as on March 31, 2022. Further, the coverage indicators marked by interest coverage stood moderate in FY23 at 2.71x (PY:1.81x).

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Working capital intensive nature of operations: The operating cycle of the company stood elongated at 183 days in FY23. The elongated working capital requirements of the company increase their dependence on external funds to manage funds which are predominantly being met out of the internal accruals, mobilization advances and working capital loans from banks.

Competitive and tender based nature of industry: Though the demand prospects in water and wastewater treatment market are favourable given Government of India's initiatives like AMRUT and Jal Jeevan Mission and funding support from international agencies for facilitating investment in municipal infrastructure, the company remains exposed to the competitive pressure from other established players. Furthermore, the construction industry is fragmented with large number of small and medium scale players. Absence of price escalation contract in all contracts in hand of company exposes it to raw material fluctuation risk. This along with the tender driven nature of the construction contracts leads to intense competition and can put pressure on the profitability margins of players like TCPL.

Key strengths

Growing albeit modest scale of operations: The scale of operations of the company stood modest as marked by total operating income and gross cash accruals of Rs. 178.71 crore and Rs. 11.98 crore, respectively, during FY23. The company has witnessed improvement in the scale of operations (PY: Rs. 120.58 crore) on account of higher execution of orders in hand in FY23. The total revenue earned improved by about 48.21% on a y-o-y basis in FY23 over FY22. The company has booked the revenue of Rs. 70.47 crores in 8MFY24 (refers to the period till November 2023).

Reputed clientele base: TCPL has a track record of over two decades in the construction business, and the promoters also have experience of over two decades in the same sector. This coupled with its technical competence and cost competitiveness has enabled the company to build strong relationships with government entities, which has helped TCPL obtain orders through tenders and receive payments within the stipulated period.

Established track record of the promoters: The company is promoted by Mr. Sanjay Tyagi who is a civil engineer by profession and has more than 2 decades of experience in construction industry. He is supported by his son, Mr. Kartik Tyagi in the overall operations of the company. The company has a team of more than 50 people comprising of Engineers, technicians, management staff and workers deployed across different project locations.

Liquidity: Stretched

The liquidity of the company is stretched characterized by sufficient cushion in expected accruals of Rs. 14.82 crore in FY24 as against the repayment obligation of ~Rs. 4 Crore in FY24. The current and quick ratio stood 1.65x and 1.14x as on March 31, 2023, as against 1.70x and 1.48x as on March 31, 2022, respectively. The average utilisation of the working capital limits remained fully utilised in the twelve months ended October 2023.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Construction

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

Technocraft Construction Pvt Ltd (TCPL), promoted by Mr. Sanjay Tyagi was incorporated in October 1998. TCPL is engaged in construction of roads, sewer work, highways, power sector work and other civil work related to infrastructure development. TCPL is primarily involved in road construction and civil activity for government organizations, largely in the state of Uttar Pradesh. The company is registered as "Class 1" Government contractor with Ghaziabad Development Authority, U.P. P.W.D. Lucknow, Uttaranchal P.W.D., Haridwar, P.W.D. Haryana, Nagar Nigam, Ghaziabad, U.P. Jal Nigam, U.P. Power Corporation Limited etc.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	8MFY24 (UA)
Total operating income	120.58	178.71	70.47
PBILDT	14.03	22.01	NA
PAT	6.16	11.08	NA
Overall gearing (times)	1.31	0.86	NA
Interest coverage (times)	1.81	2.71	NA

A: Audited UA: Unaudited; NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Brickwork has migrated the ratings assigned to the bank facilities of TCPL into 'Issuer not-cooperating' category vide press release dated December 20, 2023, on account of non-availability of requisite information from the company.

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits	-	-	-	-	30.50	CARE BB+; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	139.50	CARE BB+; Stable / CARE A4+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Working Capital Limits	LT	30.50	CARE BB+; Stable	-	-	-	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST*	139.50	CARE BB+; Stable / CARE A4+	-	-	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working Capital Limits	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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