

Tara Tarini Construction Private Limited

December 31, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	9.62	CARE BB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	34.38	CARE BB+; Stable / CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Tara Tarini Construction Private Limited (TTCPL) takes into consideration the improvement in financial profile of the company marked by improvement in Total operating income (TOI) of the company over the years, albeit small scale of operations, along with satisfactory operating margins.

The ratings are constrained by susceptibility of operating margins to volatility in input material prices and labour charges, intense competition and tender driven process risk, working capital intensive nature of operations and inherent risk associated with the construction sector.

The ratings, however, derive strength from the experience of promoters with long track record of operation, comfortable capital structure and debt coverage indicators, and healthy order book.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sizeable increase in scale of operations (Total Operating Income > Rs.200.00 crore) while maintaining current profitability margins on a sustained basis.
- Substantial improvement in capital structure led by improvement in net worth on a sustainable basis.

Negative factors

- Any sizeable degrowth in scale of operations from present level (Total Operating Income < Rs. 50.00 crore) on a sustained basis.
- Any major debt taken by the firm leading to substantial deterioration in capital structure on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The stable outlook on the long-term facilities of the company is based on the expectation that the company will continue to benefit from the extensive experience of the promoters and management in the industry and that the entity will continue to benefit from its established relationship with the customers and suppliers.

Detailed description of key rating drivers:

Key weaknesses

Small scale of operation with satisfactory profitability margin: Though the total operating income of the entity has grown from Rs 70.45 crore in FY23 to Rs 136.50 crore in FY24 the overall scale of operations continues to remain small when compared to the overall scale of the industry and the other players operating in the industry. The increase in operating income is majorly due to better execution of orders in hand. The small scale deprives it from the benefits of economies of scale and restricts the financial flexibility of the firm in times of stress. In H1FY25, TOI stood at Rs 75.25 crore as articulated by the management.

The operating profit margin has remained satisfactory and sustained at around 11.05% in FY24(FY23:11.59%). The PAT margin improved from 5.85% in FY23 to 7.23% in FY24. The operating margins have been stable mainly due to increase in scale of operations over the years and timely execution of works contracts. The PAT margins have improved on account of increase in non-operating income. The TOI is expected to improve gradually in near to mid term with timely execution of orders, with similar levels of margins.

Susceptibility of operating margin 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

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

highly volatile. However, government agency contracts often include a price escalation clause for four major inputs like cement, metal, labour, and fuel which helps to mitigate the risk of price volatility to some extent. The operating margin of the company is exposed to sharp rise in the cost of inputs along with the rising cost of labour.

Intense competition and tender driven process risk: TTCPL receives most of its work orders for construction of public roads, bridges, culverts, NH strips for both – state and central government. All these are tender based, and the revenues are dependent on the TTCPL's ability to bid successfully for these tenders. The profitability margins of the firm may come under pressure because of the competitive nature of the industry.

Working capital intensive operations: The operations of the company are working capital intensive due to tender based and long-term nature of contracts. Further, a part of the sales proceeds is also withheld in the form of retention money due to long duration of construction projects, which gets released after the successful completion of performance guarantee test period. In addition, the firm needs to maintain raw material inventory for timely execution of projects. The company has a gross current asset (days) of 167 in FY24 (P.Y.: 284) on account of receivables and lien marked deposits. The gross current days improved to 167 days due to increase in TOI. The same is expected to remain at similar levels going forward.

Inherent risk associated with the construction sector: Inherent risks involved in the construction industry such as aggressive bidding, interest rate risk, volatile commodity prices and delays in project for executing the work have collectively affected the credit profile of the developers in the past.

Key strengths

Experienced promoters with long track record of operation: The company is into operation since 2008, hence has a long track record of operations. Being in the same line of business for a prolonged period (since 1988), the promoter has built established relationship with its clients and the entity is deriving benefits out of this. The day-to-day affairs of the entity are looked after by Mr. Swarjya Kumar Sahu with adequate support from the other director Mr. Santosh Kumar Sahu.

Healthy order book: The entity has a satisfactory order book position of around Rs. Rs. 295.34 crore (2.16x of TOI of FY24) as on December 15, 2024 which provides revenue visibility for near to medium term to an extent.

Satisfactory capital structure and debt coverage indicators: The overall capital structure of the company continues to be satisfactory. The overall gearing stood at 0.55x as on March 31, 2024 (PY: 0.49x). It's debt profile largely comprises of working capital limits and equipment finance. Further, the unsecured loans are from group companies with no interest or repayment obligation. The total debt to GCA has improved from 2.32x as on March 31, 2023 to 1.87x as on March 31, 2024. It improved due to increase in GCA levels. The capital structure and debt protection metrics are expected to remain satisfactory in near to medium term.

Liquidity: Adequate

The company has generated GCA of Rs. 13.13 crore as on 31 March, 2024 against repayment obligations of Rs 4.95 crore. In FY25, it is expected to generate sufficient cash accruals against repayment obligations of Rs 5.20 crore. The average utilisation of the fund-based limits has been around 75% to 80% for the 12 months ended November 2024 as articulated by the lender. Further, the company has free cash & bank balances to the tune of Rs. 15.77 crore as on March 31, 2024.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

TTCPL was incorporated in February, 2009 by Mr. Swarajya Kumar Sahu. The company is into construction of roads, bridges, NH strips for both – the state and central government. The company operates majorly in Odisha. The company is classified as “Class 1” contractor by the state authorities. The company currently has 17 ongoing projects. The main promoter – Mr. Swarajya Kumar Sahu (M.D) has been in the industry since 1988 looks after the day-to-day operations of the company along with the other promoter – Mr. Santosh Kumar Sahu.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25(UA)
Total operating income	70.45	136.50	75.25
PBILDT	8.17	15.09	-
PAT	4.12	9.87	-
Overall gearing (times)	0.49	0.55	-
Interest coverage (times)	9.53	6.99	-

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	9.62	CARE BB+; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	34.38	CARE BB+; Stable / CARE A4+

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Bank Overdraft	LT	9.62	CARE BB+; Stable	-	1)CARE BB+; Stable (03-Nov-23) 2)CARE B; Stable; ISSUER NOT COOPERATING * (09-Jun-23)	1)CARE B; Stable; ISSUER NOT COOPERATING * (13-May-22)	-
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	34.38	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Stable / CARE A4+ (03-Nov-23)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

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

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