Thakur Infraprojects Private Limited

December 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	161.94 (Enhanced from 53.93)	CARE BBB+; Stable	Reaffirmed
Short Term Bank Facilities	563.00 (Enhanced from 192.24)	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed the ratings outstanding to the bank facilities of Thakur Infraprojects Private Limited (TIPL). The reaffirmation draws strength from the promoters' extensive experience and a proven track record in the civil construction industry, healthy order book that ensures revenue visibility in the medium to long term, supported by efficient working capital management. The ratings also factor in its growth in scale of operations along with significant improvement in its profitability in FY24 (FY refers to the period from April 01 to March 31). Additionally, the industry outlook remains stable, bolstered by government focus on infrastructure development.

The ratings are however constrained by moderately leveraged capital structure considering its exposure to its associates and its geographically concentrated operations. The ratings continue to factor in inherent risks in executing Engineering, Procurement, and Construction (EPC) orders, tender-based operations in a highly competitive and fragmented civil construction industry. CARE Ratings also takes note of delay in execution of an Hybrid Annuity Model (HAM) project under its Joint Venture (JV) which could result in support requirement from TIPL which would remain a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations above Rs. 800 crore along with maintenance of healthy profit before interest, lease rentals, depreciation and taxes (PBILDT) margins
- Diversification of orderbook along with lower reliance on JVs
- Improvement in gross current assets (GCA) days below 120 on a sustained basis
- Improvement in leverage marked by adjusted overall gearing below 1x on a sustained basis

Negative factors

- Decline in total operating income below Rs. 450 crores
- Decline in PBILDT margins below 12% on a sustained basis
- Delay in execution of orders in hand with receivables including retention money extending beyond 90 days
- Any delay in work order execution by JV partner leading to decline in gross billing and cash inflows or any un-envisaged liabilities arising due to non-performance by the JV partner

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook assigned to the long-term ratings of TIPL considers its ability to maintain its operational performance on the back of healthy orderbook position and asset base.

Detailed description of key rating drivers:

Key strengths

Growth in scale of operations along with significant improvement in profitability in FY24

TIPL's TOI has increased from Rs. 551.05 crores in FY23 to Rs. 685.68 crores in FY24 registering 24% growth led by improved execution of orders. PBILDT margin has increased from 12.19% in FY23 to 21.11% in FY24, whereas PAT margin has increased from 11.12% in FY23 to 19.49% in FY24. The margins have increased on account of the improved scale of operations resulting in higher absorption of fixed costs, a better mix of revenue and faster execution. A reduction in the cost of materials consumed is owed to several factors, such as, reduction in royalty expense due to exemption in royalty payable on excavation where the place of consumption is the same as the excavation site and downward trend in steel and cement prices. This reduction in costs has aided the company in improving their operating margins.

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

Strong orderbook with medium term revenue visibility
Orderbook comprises of Government orders and private orders with a mix of both direct participation in bidding as well as on sub-contract basis. The company has received orders in roads, building bridges, and railway sectors from the state of Maharashtra. There are multiple small-sized as well as large-sized orders which provide revenue visibility in the medium term. Compared to the outstanding order book of Rs. 1,920.34 crore as on June 30, 2023, the confirmed outstanding order book as on October 24, 2024, stood at Rs. 2,871.08 crore. The unexecuted orderbook to sales (FY24) ratio is currently standing at 4.19x, indicating medium to long term visibility in revenue. The orderbook includes a HAM project for four laning of Ratnagiri - Kolhapur section of NH-166 awarded by the NHAI at a project cost of Rs.946 crore which will be executed under JV with TIPL's share being 49%. The project is funded partly by equity contribution, partly by availing term loan from banks amounting to Rs.440 crore (of which Rs. 192 is disbursed till date), and the balance will be contributed by NHAI. There is inherent execution risk associated with execution of HAM project and hence timely completion of the same remain key monitorable.

Strong execution capability with healthy asset base and supply of raw materials
With an objective of executing orders on a timely basis, the company adds required equipment in the fleet regularly. Also, the company predominantly operates in a single geography which facilitates in easy migration of the equipment. Moreover, in case of idle time of the equipment, TIPL leases it out which also generates revenue for the company. Machinery hiring charges contributed to around 5% of total revenue in FY24. The company has a fleet of seven crushers, 40 excavators, over 200 hundred tippers, over 100 passenger vehicles, six RMC plants, 13 loaders, 25 five breakers and various other machinery and equipment. This ensures faster execution of orders eliminating the need for higher wait time for machinery deployed at different locations and on different projects. Raw materials of rock and stones are procured from quarries which have an agreement of lease for a period of 5 years which are renewed upon expiry of the lease. The risk of volatility in key raw material (steel and cement) prices is mitigated to a large extent by the long-term contracts with suppliers for procurement of raw materials.

Experienced promoters
The promoters' have been involved in the civil construction business for over 4 decades and their successful execution of past projects has helped the company to increase order book size to ~ Rs. 2871 crore as on October 24, 2024, from various governmental agencies in Maharashtra namely MSIDC, MSRDC, CIDCO, Panvel Municipal Corporation, Central Railways, National Highway Authority of India and private companies namely Tata Projects Limited, J. Kumar, J.M. Mhatre, Petronas Lubricants India Private Limited.

Stable outlook and government focus on infrastructure development
India has the second-largest road network in the world, spanning over 6.7 million kilometres. Under the union budget 2024-25 the Government of India allocated US $32.68 billion to the Ministry of Road Transport and Highways. In the fiscal year 2023-24 (up to July), a budget of Rs. 276 crore (US$ 34.04 million) has been designated for the Pradhan Mantri Gram Sadak Yojana (PMGSY). National Highways Authority of India (NHAI) spent a record breaking Rs. 2,07,000 crore (US$ 24.79 billion) on the construction of national highways in the fiscal year 2023-24. This was the highest capital expenditure ever recorded, representing a 20% increase from last year. In February 2024, NHAI raised Rs. 15,624 crores through Infrastructure Investment Trusts (InvITs), which is the highest ever through such mode. 100% Foreign Direct Investment (FDI) is allowed under the automatic route in the road and highways sector, subject to applicable laws and regulations.

Efficient working capital management
Construction contracts typically require substantial working capital, both fund-based and non-fund based. This requirement is influenced by various factors such as project size, order mix, duration, clientele, project advances, and the company's credit policy. The industry follows a milestone-based payment system, where payments are linked to the physical and financial progress of the project. However, delays in receiving payments from clients and project execution delays, leading to inventory build-up impact working capital requirements. Despite this, the operating cycle of the company remained low at around 42 days as of March 31, 2024, compared to 41 days in the previous year. Despite comfortable operating cycle, TIPL's GCA days continued to remain elongated at 171 days as on March 31, 2024 (PY: 168 days). Going forward, the company's ability to improve GCA days remains a key monitorable from the credit perspective.

Key weaknesses

Moderately leveraged capital structure considering its exposure to its associates
TIPLs' financial risk profile marked by moderately leveraged adjusted overall gearing which witnessed deterioration in FY24 owing to increase its exposure to its associates wherein TIPL has extended corporate guarantee. The guarantees to the tune of Rs. 440.00 crore was extended by TIPL to its JV which has been treated as debt by CARE Ratings in adjusted overall gearing for the analytical purpose. The adjusted overall gearing deteriorated significantly to 1.76x as on March 31, 2024, compared to 0.32x as on March 31, 2023. Overall gearing (without factoring guarantee extended) remained in line at 0.24x as on March 31, 2024 (PY: 0.27x). However, coverage indicators remained comfortable evident from interest coverage ratio at 13.12x in FY24 (vis-à-vis 8.86x in FY23). Going forward, the outflow in the form of equity contribution and events resulting crystallisation of contingent liabilities are key monitorable.

Delay in execution of a HAM project under its JV

The company's SPV namely Kolhapur Ratnagiri Highways Private Limited is undertaking a HAM project wherein TIPL has 49% stake and has invested 75% of equity commitment. As per the Quarterly Progress report for September 2024, the SPV's has achieved financial progress based on expenditure incurred at site for 33.29% against the planned execution of 60.97%. Any further delay may lead to requirement of additional financial support by TIPL to the SPV.

Geographical and customer concentration risk
The company receives orders in roads, building, bridges, and railways sectors from the state of Maharashtra especially in Mumbai and Navi-Mumbai region. There are multiple small size orders along with large orders and thereby providing revenue visibility in the medium term. However, given the fact that entire orderbook pertains to construction activities in the state of Maharashtra, exposes it to geographical concentration risk. Hence, ability of the company to diversify its operations other than the state of Maharashtra would remain critical from credit perspective and a key monitorable. The company's orderbook is mainly concentrated from MSIDC and CIDCO.

Highly competitive industry because of the fragmented and tender-driven nature of industry
The construction industry especially roadways, railways and pipeline development industry in India is highly fragmented with many small and mid-sized players present at regional level. This coupled with tendering process in order procurement results into intense competition within the industry, fluctuating revenues further exerts pressure on the profit margins of the players. Moreover, profitability in road construction is influenced by several factors, including the project's scale, location, and complexity. Additionally, continued increase in execution challenges including delays in land acquisition, regulatory clearances, aggressive bidding, interest rate risk and delays in project due to environmental clearance are other external factors that affect the credit profile of industry players. These factors can delay the start and completion of projects and result in higher gestation period.

Liquidity: Adequate
TIPL's adequate liquidity is supported by net cash flow from operations of Rs. 113.59 crores as on March 31, 2024, as against Rs. 19.60 crores as on March 31, 2023. The company is likely to achieve gross cash accrual in the range of Rs. 155-165 crore against the scheduled repayment of Rs. 27.58 crore in FY25. Unencumbered cash and cash equivalents remained at Rs. 51.62 crores as on March 31, 2024. The company has fixed deposits of Rs. 115.50 crore as on March 31, 2024, which is used as collateral and margin money for banking facilities. As on September 30, 2024, the free cash and bank balance is Rs. 81.06 crore. The company has sufficient gearing headroom to raise additional debt for its CAPEX marked by healthy cash accruals, which stood at Rs. 156.48 crore in FY24.

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

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

TIPL is engaged in the business of infrastructure development, as a contractor, in the state of Maharashtra. TIPL commenced its commercial operations under the name of M/s. S. C. Thakur and Bros. in 1974 and subsequently changed its constitution to a private limited company in FY08. TIPL with about 50 years of successful operations has contributed significantly to the infrastructure growth and development requirements in the states of Maharashtra, Gujarat & Kerala. The company was promoted by Mr. Ramsheth Changu Thakur, who has been a member of parliament from 1998 to 2004, and it is currently managed by Mr. Dhananjayudu Karuturi and Mr. Bharanikumar Challagulla. It is a registered Class I contractor for civil work in Maharashtra. The company executes a wide range of services in earth-moving and infrastructure development projects, such as road construction, bridges, earthmoving, dams, container-yard (port) development, and crusher operations. Its major clients are government departments in Maharashtra. Recently, it has started bidding for and execution of big orders in joint ventures (JVs) with other major civil contractors in region. Orders gained by JVs are then executed partly by TIPL and JVs on a standalone basis.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	551.05	685.68
PBILDT	67.18	144.75
PAT	61.27	133.66
Overall gearing (times)	0.27	0.24
Interest coverage (times)	8.86	13.12

A: Audited; 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-Cash Credit		-	-	-	37.00	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	November 2028	124.94	CARE BBB+; Stable
Non-fund-based - ST-BG/LC		-	-	-	563.00	CARE A3+

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-Term Loan	LT	124.94	CARE BBB+; Stable	-	1)CARE BBB+; Stable (28-Sep-23)	1)CARE BBB+; Stable (14-Sep-22)	1)CARE BBB+; Stable (28-Feb-22)
2	Fund-based - LT-Cash Credit	LT	37.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (28-Sep-23)	1)CARE BBB+; Stable (14-Sep-22)	1)CARE BBB+; Stable (28-Feb-22)
3	Non-fund-based - ST-BG/LC	ST	563.00	CARE A3+	-	1)CARE A3+ (28-Sep-23)	1)CARE A3+ (14-Sep-22)	1)CARE A3+ (28-Feb-22)

LT: Long term; ST: 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated: Not applicable

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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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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