

Tirupati Cement Products

February 17, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	39.00	CARE BBB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	261.00	CARE BBB; Stable / CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Tirupati Cement Products (TCP) factors in growing scale of operations and stable profitability margins in FY24 (refers to the period from April 01, 2023, to March 31, 2024), satisfactory financial risk profile marked by healthy debt coverage indicators, and healthy unexecuted orderbook position providing revenue visibility in the near to medium term. Further, the ratings continue to derive strength from experienced promoters with established track record of operations in the construction of water and sewage infrastructure projects. The ratings, however, remain constrained by working capital intensive nature of operations with high gross current asset days and geographical concentration risk on account of unexecuted order book majorly concentrated towards Uttarakhand. The ratings are also constrained by the competitive nature of industry coupled with tender based nature of operations and partnership constitution of the firm wherein there is an inherent risk of withdrawal of capital by the partners.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the TOI of the firm above Rs.450 crore while maintaining PBILDT margins above 11%.
- Improvement in Gross Current Asset days to below 170 days on a sustained basis.

Negative factors

- Decrease in TOI of the firm below Rs.250 crore along with PBILDT margins below 7.00% on a sustained basis.
- Deterioration of operating cycle of the firm to above 75 days on a sustained basis.
- Deterioration in the solvency position due to increased working capital reliance with overall gearing weakening significantly to more than 1.50x.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE's opinion that the company will continue to benefit from experience of promoters, healthy unexecuted orderbook position along with established track record of operations.

Detailed description of key rating drivers:

Key strengths

Experienced Promoters

The firm is promoted by four partners, three of which have significant industry experience of 20+ years. Shree Bhagwan Aggarwal holding 50% share of the firm has more than 40 years' experience in the industry and looks after business development. The experienced management has a long-standing relationship with its clients and suppliers, in the construction of water and sewage infrastructure projects which fares well against the peers in the industry.

Healthy unexecuted order book position providing revenue visibility over the medium term

TCP has a healthy unexecuted order book of ~Rs. 1534 crores as on January 22, 2025, translating into total unexecuted order book/TOI at 4.08x of total operating income of FY24 providing revenue visibility over the medium term. The firm undertakes construction projects for State/Central government sector and PSU's, namely, Delhi Jal Nigam, Indian Oil, Uttarakhand Urban Sector Development Agency (UUSDA), among others which mitigates the counterparty risk.

Growing scale of Operations with healthy PBILDT margins

TCP's TOI has grown 20% Year on Year (YoY) from Rs 312.80 crores in FY23 (refers to the period from April 01, 2022 to March 31, 2023) to Rs. 375.37 crore during FY24 backed by higher execution of orders. The PBILDT and PAT margins of the firm grew to 13.84% and 11.02% in FY24 from 11.30% and 10.08% in FY23 as for some projects at their completion stage, the expenses

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

were incurred in FY23, but billing was done in FY24, hence the growth in PBILDT margin. As per provisional results for 9MFY25 (refers to period April 01, 2024, to December 31,2024), TCP has reported a TOI of Rs.179.20 crore with PBILDT margin of 11.25%.

Satisfactory Financial Risk Profile:

The firm has a satisfactory financial risk profile characterised by moderate overall gearing and healthy debt coverage indicators. Overall gearing moderated and stood at 1.20x as on March 31,2024 (PY:0.75x) as the firm had received mobilisation advance of Rs 62.84 crores from UUSDA (Uttarakhand Urban Sector Development Agency) regarding a particular project which has resulted in outstanding debt of Rs 135.31 crores as on March 31, 2024, up from Rs 75.05 crores as on March 31,2023. Further, the coverage indicators of the firm marked by interest coverage ratio and TD/GCA stood at 6.07x and 2.99x respectively as on March 31, 2024 (PY:6.03x and 2.13x)

Key weaknesses

Working capital intensive nature of operations

The operations of the firm are working capital intensive as evident from high gross current days of 242 days during FY24 (PY:233 days). The working capital cycle of TCP is largely affected due to the long mobilization period, retention money, and delay in various getting various clearances. The company's operating cycle has been volatile over years and stood at 64 days in FY24(PY: 51 days)

Geographical concentrated orderbook

TCP's operations have remained concentrated in Delhi which accounted for ~67% of revenue booked for FY24 from Delhi (PY:45%). The current unexecuted orderbook continues to remain concentrated with ~81% of the orders from Uttarakhand. The other states of operation are Delhi, Haryana, Assam, and Rajasthan. The firm over the past two years has been making improved efforts to win tenders from other states- Punjab, Rajasthan, Assam but still remains concentrated to a single state.

Presence in an intensely competitive and fragmented construction industry

TCP operates in an intensely competitive and fragmented construction industry, wherein projects are awarded on the basis of relevant experience of the bidder, financial capability and most attractive bid price. The competitive intensity is on account of the presence of large number of contractors resulting in aggressive bidding which restricts the margins. Moreover, due to low counterparty credit risk and a relatively stable payment track record associated with projects funded by central and state government bodies, these projects are lucrative for all the contractors and hence remained highly competitive.

Constitution as a partnership firm

The credit risk profile of TCP is constrained by its partnership constitution wherein there is an inherent risk of withdrawal of the capital which may affect its financial flexibility in the eventuality of occurrence of such event. Any disproportionate withdrawal of partners' capital shall remain a key rating sensitivity. However, the company is planning to convert to private limited company in the near term.

Liquidity: Adequate

The company has adequate liquidity marked by sufficient projected gross cash accruals of ~Rs 41.04 crores as against its scheduled repayment of around Rs.6.25 crores in FY25. Average utilisation of fund based remained moderate at ~55% during past 12 months ending November 30 ,2024 while utilisation of non-fund-based limits remained at ~90-95%. Further, the firm has free cash and bank balance of Rs. 0.09 crore and free FD balance of 13.34 crores as on December 31, 2024.The firm also does not have any capex plan for the near term.

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

Tirupati Cement Products (TCP) was established as a partnership firm in the year and is promoted by four partners- Shree Bhagwan Aggarwal, Mukesh Kumar Aggarwal, Nikhil Aggarwal, and Sushma Aggarwal. Its major operations are in the water and sewage infrastructure projects where it offers Engineering, Procurement, Construction, Installation, Commissioning of pipeline including Mechanical and Electrical Equipment & Operation & maintenance for water supply and work for WTP/STP and Pumping Stations. In the past couple of years, it has also ventured into specialized works of Micro Tunnelling by Trenchless Technology / Horizontal Directional Drilling for Oil & Gas Industry.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25(UA)
Total operating income	312.80	375.37	179.20
PBILDT	35.36	51.96	20.24
PAT	31.53	41.38	12.82
Overall gearing (times)	0.74	1.20	1.51
Interest coverage (times)	6.03	6.07	6.31

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-Term Loan		-	-	November 25,2028	18.00	CARE BBB; Stable
Fund-based - LT-Working Capital Limits		-	-	-	21.00	CARE BBB; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	261.00	CARE BBB; Stable / 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-Working Capital Limits	LT	21.00	CARE BBB; Stable	-	1)CARE BBB; Stable (04-Mar-24)	-	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	261.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (04-Mar-24)	-	-
3	Fund-based - LT-Term Loan	LT	18.00	CARE BBB; Stable	-	1)CARE BBB; Stable (04-Mar-24)	-	-

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-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	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 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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