

## Thirumalareddygari Suryanarayana Reddy

April 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	6.66	CARE BB; Stable	Assigned
Short Term Bank Facilities	23.34	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Thirumalareddygari Suryanarayana Reddy (TSR) is tempered by the fluctuating scale of operations in an intensely competitive and fragmented toll collection business, moderate profitability which is highly susceptible to traffic on the project stretch and significant performance deposit requirements (15 days of cash deposit and 15 days of bank guarantee for one year contract/ 15 days of cash deposit or bank guarantee for three-month contract) which may hinder the revenue growth coupled by firm's proprietorship structure, including the risk of capital withdrawal. However, the firm derives strength from extensive experience of the promoters in the toll collection business with established track record of over a decade, comfortable capital structure. The ratings also derive strength from the robust growth in topline from FY24 onwards on the back of increase in number of contracts, along with increased thrust of the government on infrastructure development.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improved revenue visibility over the medium term backed by receipt of medium to long-term toll collection contracts from NHAI with moderate concession fees.
- Significant movement in the capital structure with overall gearing maintained below 0.1x.

#### Negative factors

- Sustained decline in operations with decline in revenue of more than 50%.
- Pressure on profitability margins adversely impacting the liquidity position and coverage metrics with overall gearing going beyond 1x.
- Non-receipt / delay in receipt of new toll collection contracts impacting its revenue visibility.

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings Limited (CARE Ratings) expects the overall performance of the company to remain satisfactory with receipt of toll collection contracts along with maintaining comfortable capital structure and extensive experience of promoters.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Fluctuating scale of operation

The total operating income and profitability (TOI) of TSR has exhibited a fluctuating trend in the past as it is contingent upon receipt of toll collection contracts and revenue generated through trading of capital market instruments which are fluctuating in nature. During FY24, TSR reported toll collection revenue of Rs. 357.01 crore as against Rs. 89.13 crore during FY23.

#### Thin profitability

TSR's operating profitability exhibited a stable trend with PBILDT margin within the range of 2-5% in the past three years ended FY24. It stood thin at 2.32% during FY24, with a y-o-y moderation of 165 bps on account of increase in overheads which could not be entirely passed on owing to a competitive landscape coupled with increasing competition and weak traffic movements in the country. Due to competitive nature the average margins in this business ranges between 2-3%, however, the margins in FY22 & FY23 were high on account of better-than-expected recovery in traffic movements post Covid pandemic. Profit after Tax (PAT) margin stood modest on account of low interest and depreciation costs. Return on capital employed (ROCE) stood healthy at 25.87% during FY24 (PY: 19.17%).

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### **Risk of capital withdrawal Constitution of entity being a sole proprietorship firm**

TSR's constitution as a sole proprietorship firm has the inherent risk of possibility of withdrawal of the proprietor's capital at the time of personal contingency and firm being dissolved upon the retirement/insolvency/demise of proprietor. Moreover, proprietorship firms have restricted access to external borrowing as credit worthiness of proprietor would be the key factors affecting credit decision of the lenders.

CARE believes that any substantial withdrawal of capital by the Proprietor is likely to have an adverse impact on the capital structure.

### **Large requirements for fund-based limits and bank guarantees may hinder revenue growth**

TSR is required to submit 15-days cash deposit as well as 15-days BG for a one-year contract/ 15-days of either cash deposit or BG for a three-month contract, to NHAI. This money is released at the end of the tenure of a contract. Any significant rise in the toll contracts would require timely increase in the working capital limits and remains a key rating sensitivity.

### **Susceptibility of toll collection towards traffic movements along with contract renewal risk**

The firm primarily takes up assured revenue-based toll collection contracts from the NHAI, which are awarded for a duration of typically three months or one year. Before the expiry of the contract, NHAI bids the stretch to a new contractor. The contract is awarded to the highest bidder of license fee. This poses risk for TSR's revenues and its revenues are linked to its ability to win projects on a continuous basis. Further, this exposes TSR to traffic risk, leakage of toll-paying traffic, or diversion of traffic to alternative routes and user resistance to pay/accept increase in toll rates. The firm is also susceptible to challenges in terms of handling local issues, manpower management and toll management, which remains the key for satisfactory toll operations.

### **Key strengths**

#### **Vast experience of the promoters**

TSR established by Mr. Thirumalareddygaru Suryanarayana Reddy in 2015. T. S. Reddy is having a decade of experience in toll fee collection of NHAI's operational framework. The proprietor manages toll collection management, revenue management, operational compliances and cash flow & fund management, and so on. The firm has been a pre-qualified bidder under NHAI since 2015, which has provided it with good bidding opportunities. As on December 31, 2024, the firm is operating 24 toll plazas spread across 8 states.

#### **Comfortable financial risk profile**

The entity's capital structure stood leveraged, as marked by an overall gearing of 0.24x as on March 31, 2024 (0.09x as on March 31, 2023) with moderate reliance on external debt. Its debt profile largely comprises working capital debt. The total outside liabilities to net worth stood moderate at 0.30x as on March 31. The improvement in capital structure was on account of profit accretion to reserves and repayment of term debt. Further, as per sanction letter company have subordinated Rs 18.51 crores of unsecured loans towards bank debt. Overall gearing stands at 1.81x as on March 31, 2024 (2.66x as on March 31, 2023).

Further, Debt coverage indicators stood satisfactory, as marked by comfortable PBILDT interest coverage of 7.87x in FY24 (6.04x in FY23) and moderate total debt to GCA (TD/GCA) of 0.99x in FY24 (0.77x in FY23).

### **Thrust of government on infrastructure development**

The Government of India has undertaken several steps for boosting the infrastructure development and reviving the investment cycle in the segment, which was facing a slowdown since past couple of years. The same is expected to drive growth opportunities and benefit the infrastructure sector.

### **Liquidity: Stretched**

Liquidity remains stretched, characterized by moderately high utilization of working capital limits, negative cash flow generated from operations and low cash & bank balance. The bank limits of Rs. 6.5 crore were utilized at approximately 80% over the 12 months ending February 28, 2025, while that of non-fund-based limits stood at ~80%. Unencumbered cash and bank balance was around Rs. 3.96 crore as of March 31, 2024. However, as of March 31, 2024, the current ratio stood at 1.48x, while the quick ratio at 1.48x. The entity has also availed non-fund-based limits of Rs.16.2 crore with average utilisation of 60% during last 12 months ended March 31, 2024.

### **Assumptions/Covenants: Not Applicable**

### **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](#)

[Services Sector](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport Infrastructure	Road Assets-Toll, Annuity, Hybrid-Annuity

Thirumalareddygari Suryanarayana Reddy (TSR) established by Thirumalareddygari Suryanarayana Reddy in 2015 as a sole proprietorship concern. TSR is engaged in the user fee collection industry, providing a range of services including toll collection, e-transaction support, customer services, and user fee management. Based out of Kurnool, Andhra Pradesh, the operations of the firm are PAN India in more than 8 states in northern states of India.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	28.90	89.13	357.01
PBILDT	1.40	3.54	8.29
PAT	1.53	3.29	7.98
Overall gearing (times)	1.39	0.09	0.24
Interest coverage (times)	13.98	6.04	7.87

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-Cash Credit		-	-	-	6.50	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	30-05-2026	0.16	CARE BB; Stable
Non-fund-based - ST-BG/LC		-	-	-	23.34	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	Non-fund-based - ST-BG/LC	ST	23.34	CARE A4	-	-	-	-
2	Fund-based - LT-Cash Credit	LT	6.50	CARE BB; Stable	-	-	-	-
3	Fund-based - LT-Term Loan	LT	0.16	CARE BB; Stable	-	-	-	-

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.

## Contact us

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### About us:

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