

Tara Tarini Construction Private Limited

December 10, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	9.60	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable; Issuer Not Cooperating*)	Revised from CARE BB; Stable (Double B ; Outlook: Stable); Issuer Not Cooperating; based on best available information
Total	9.60 (Rupees Nine Crore and Sixty Lakh only)		

**Details of facilities in Annexure-1*

The ratings assigned to the bank facilities of Tara Tarini Construction Pvt Ltd (TTC) are primarily constrained by its small scale of operation with moderate profitability margin, intense competition within the industry owing to low entry barrier, susceptibility of operating margin to volatility in input material prices and labour charges and working capital intensive nature of operation. The rating, however, derives strength from its experienced promoters with long track record, satisfactory order book position along with reputed clientele resulting in minimal default risk and comfortable capital structure and satisfactory debt coverage indicators.

Going forward, ability to maintain a healthy order book and receipt of contract proceeds regularly and ability to execute orders within stipulated time period and manage working capital effectively are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses:

Small scale of operations with low profitability margins

TTC is a relatively small player in the construction business with total operating income and PAT of Rs. 54.16 crore and Rs. 2.05 crore, respectively, in FY18. However, turnover of the company is decreasing continuously during FY16-FY18 on account of lower execution of order. The small size restricts the financial flexibility of the company in times of stress. Further, the total capital employed was also low at Rs.21.82 crore as on Mar.31, 2018. Furthermore, during 5MFY19, the company has earned an operating income of around Rs.24.00 crore. This apart, profitability margin has been moderately low. Both the PBILDT and PAT margin has been hovering around 11.08% and 3.78%, respectively, during FY18.

Intense competition within the industry owing to low entry barrier

The civil construction space is highly competitive with many players operating in the sector affecting the profitability of the participants. Furthermore, the company is largely dependent on government authorities for orders and mainly procures its orders through tender bidding and in a highly competitive scenario risk of non-receiving of contract in tender bidding is also high.

Susceptibility of operating margin due 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 highly volatile. However, currently government agencies' work contracts have price escalation clause which mitigate price volatility risk to some extent. Furthermore, the operating margin of the company is exposed to sudden spurt in the input material prices along with increase in labour prices being in labour intensive industry.

Working capital intensive nature of operation

The operation of the company is working capital intensive marked by high utilization of bank borrowing during last 12 months ended Aug.2018, was 85%.

Key Rating Strengths

Experienced promoters with long track record

TTC has been in operation since 2009, accordingly has a long track record of operation. Further, the company is managed by Mr. Swarajya Kumar Sahu, MD, along with other director and a team of experienced personnel. The directors are having around three decades of experience in construction business.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; based on best available information

Satisfactory order book position along with reputed clientele resulting in minimal default risk

The company has an order book (balance value of work) of Rs.84.39 crore as on August 31, 2018 [i.e. about 1.87x of FY18 revenue (Prov.)] to be executed within next 24 months indicating medium term revenue visibility. The company receives order from reputed organisation like Road and Bridge Davison of Government of Odisha, Public Works Department of Odisha etc.

Comfortable capital structure and debt coverage indicators

The capital structure of the company is comfortable marked by below unity overall gearing ratio as on March 31, 2018. This apart, interest coverage ratio was also comfortable at 3.99x during FY18 and Total debt to GCA was also comfortable at 1.22x. Current ratio was satisfactory as on March 31, 2018.

Liquidity

The liquidity position of the company remained moderate marked by current ratio of 1.65x and quick ratio of 1.59x as on March 31, 2018. The Gross cash accruals also remained low at Rs.3.76 crore as on March 31, 2018.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch'](#)

[CARE's Policy on Default Recognition](#)

About the Company

Tara Tarini Construction Pvt Ltd (TTC) was incorporated during 2009 in Koraput, Odisha. TTC is a relatively small sized Odisha based company engaged in providing different types of civil construction services, which include land development, construction of roads, bridges and other constructions. The day to day operations are looked after by Mr. Swarajya Kumar Sahu, MD, along with other director and a team of experienced personnel.

Brief Financials (Rs. crore)	FY17 (A)	FY18
Total operating income	51.57	54.16
PBILDIT	4.63	6.00
PAT	2.05	2.05
Overall gearing (times)	0.47	0.27
Interest coverage (times)	16.33	3.99

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable.

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	9.60	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information

Annexure -2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	9.60	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information	-	1)CARE BB; Stable (08-Jan-19)	-	-

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Mradul Mishra
 Contact no.: +91-22-6837 4424
 Email ID: mradul.mishra@careratings.com

Analyst Contact:

Name: Soumen Das
 Contact No.: 033-40581907
 Email: soumen.das@careratings.com

Relationship Contact

Name: Sambit Das
 Contact no. : 033 4058 1904
 Email ID: sambit.das@careratings.com

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