



RATING RATIONALE

19 Sep 2019

Tarmat Limited

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of Rs. 64.36 Crores of Tarmat Limited

Particulars

Facility	Amount (Rs. Crs)	Tenure	Rating*
Fund based			
Term Loan	4.36	Long Term	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable
Non Fund Based			
Bank Guarantee	60.00	Short Term	BWR A4+ (Pronounced as BWR A Four Plus)
Total	64.36	Rupees Sixty Four Crores and Thirty Six Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

Tarmat Limited (TL's or "The Company") has been assigned the rating on account of overall restructuring of operations and management and an improvement in operational performance along with current order book position of Rs. 675.03 Crs in FY19.

The ratings continue to reflect the company's established market position in construction of airport runways and strong experience of its promoters in the construction business. Capital structure of the company has shown an improvement post infusion of funds by new investor, operating performance is expected to improve driven by its outstanding orders of Rs. 675.03 Crs to be executed by FY21. Rating however is constrained by susceptibility to tender-based operations, relatively moderate scale of operation average financial risk profile, working capital intensive nature of business, and limited pricing flexibility with intense competition in the industry.

The outlook is expected to be stable over medium term on account of stable management, healthy order book and timely infusion of funds.

KEY RATING DRIVERS

Credit Strengths:

Establishment & experienced management: Tarmat Limited was established in 1986 by Mr. Jerry Varghese. The company is into the business of infrastructure development. The company specializes in the construction of Runways & Highways. Due to recent restructuring of management, new investors have



stepped into the company and the management is professionally controlled by them. This promoters have more than two decades of experience in the construction business. The promoters' experience in the industry has helped the company establish a strong relationship with its suppliers and customers and also technical expertise of promoters have helped the company to bid and win new orders.

Healthy order book position: The company is catering to both Government & semi-government projects. As on Aug 2019, order book position of Rs. 675.03 Crs which is expected to be executed by FY21 providing revenue visibility over medium term. Company deals only in projects which have been well funded limiting the risk of delay in payments. The company is geographical well diversified with presence in Tamil Nadu, Kerala, Jammu & Kashmir, Gujarat, Punjab, Maharashtra etc

Credit Risks:

Average financial risk profile: The average financial risk profile is marked by high gearing ratio at 2.46 times as on FY19. However, considering unsecured loans of Rs. 77.30 Crs as quasi equity, adjusted gearing ratio would stand at 0.49 times as on FY19. ISCR even though improved remained low at 1.00 times in FY19 as against -6.94 times in FY18. Owing to the restructuring in FY18, the profitability was affected by one time write off and hence net profit margins was recorded at 0.61% in FY19. However, timely infusion of funds by current management, stable operations and strong orders in hand will help the company to improve the overall financial risk profile going ahead.

Susceptibility of margins and tender based operations: The firm is exposed to raw material price fluctuation risk as raw material consumed constitute 49% of total operating expenses in FY19. Any new contracts with absence of cost escalation clause can impact the profitability of the company. Since entire sales is tender-based, revenue and profitability entirely depend on the ability of the company to win tenders.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of TL along with the business linkages with its subsidiaries providing financial services. BWR has applied its rating methodology as detailed in the Rating Criteria (*hyperlinks provided at the end of this rationale*).

RATING SENSITIVITIES

Going forward, the stability of the management after restructuring, ability to achieve sustainable growth in revenue and profitability along with improvement in financial risk profile will be the key rating sensitivities.

Positive: The rating may be upgraded if the company is able to achieve significant growth in revenue and profitability backed by a favourable demand prospects, sustained improvement in capital structure, coverage indicators and working capital management.

Negative: The rating may be downgraded, on account of lower than expected growth in revenues and profitability coupled with increase in the working-capital requirements of the company adversely impacting the liquidity position of the company.

LIQUIDITY POSITION: ADEQUATE

The company has maintained adequate liquidity position as evident from cash/cash equivalents of Rs. 9.06 Crs as on March 31, 2019 and expected Cash accrual of Rs. 1.40 Crs, also the preferential allotment of Rs. 13 crs to current investors will be sufficient for meeting working capital requirements over the medium term. Current Ratio of the company stood at 3.42 times in FY19. Further the Liquidity is also supported by timely infusion of funds by promoters.

COMPANY PROFILE

Tarmat Limited (TL) is incorporated in 1986 by Mr. Jerry Varghese. The company had its IPO in 2007 and got listed in BSE and NSE as a limited company. The company is into the business of infrastructure development and specializes in the construction of Runways & Highways. The Company is in construction of various Airfields, Runways, parking bays, Apron, Taxiways etc. The companies operations are spread in the states of Maharashtra, J & K, Kerala, Gujarat, Tamil Nadu, Mizoram.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Total Operating Income	Rs. Crs	61.05	92.91
OPBDIT	Rs. Crs	-9.39	1.37
PAT	Rs. Crs	1.25	0.57
Tangible Net Worth	Rs. Crs	39.01	39.58
Gearing Ratio	Times	2.88	2.46
ISCR	Times	-6.94	1.00

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY: NA

RATING HISTORY

Facilities	Current Rating (2019)			Rating History		
	Tenure	Amount (Rs. Crs)	Rating	2018	2017	2016
Fund Based	Long Term	4.36	BWR BB+ (Pronounced as BWR Double B Plus) (Outlook: Stable)	NA	NA	NA
on Fund Based	Short Term	60.00	BWR A4+ (Pronounced as BWR A Four Plus)			
Total		64.36	Rupees Sixty Four Crores and Thirty Six Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Infrastructure Sector](#)

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ANNEXURE I
Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs. Crs)	Short Term (Rs. Crs)	Total (Rs. Crs)
1.	ICICI Bank	Term Loan	4.36	-	4.36
2.	Canara Bank	Bank Guarantee	-	60.00	60.00
TOTAL					64.36

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