

February 03, 2023

## Teems India Towerlines Private Limited: Ratings reaffirmed/assigned to enhanced limits

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund based - Term loan	0.00	1.60	[ICRA]BBB- (Stable); Assigned
Long term - Fund based – Cash credit	4.70	4.70	[ICRA] BBB- (Stable); Reaffirmed
Short term – Fund based – Cash credit	1.25	0.00	-
Short term – Fund based – Bill Discounting	0.00	5.25	[ICRA]A3; Reaffirmed/assigned to enhanced limits
Short term - Non-fund based – Others	27.55	35.05	[ICRA]A3; Reaffirmed/assigned to enhanced limits
<b>Total</b>	<b>33.50</b>	<b>46.60</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings reaffirmation continues to take into account Teems India Towerlines Private Limited's (TITPL) proven operational track record in undertaking turnkey projects in the power transmission and distribution segment. The ratings also derive comfort from TITPL's counterparty profile, which mainly comprises government entities, and the availability of project funding by multilateral agencies for a major portion of its outstanding order book.

The ratings positively factor in TITPL's sizeable order book position as on December 31, 2022, which provides healthy revenue visibility. The ratings also positively factor in the company's comfortable capital structure. It had a gearing of 0.5 times as on March 31, 2022 and the coverage metrics are expected to remain healthy in FY2023.

The ratings, however, are constrained by the company's high customer and project concentration risks with Power Grid Corporation of India Limited (PGCIL) and Tamil Nadu Transmission Corporation Limited (TANTRANSCO) being the major revenue contributors. TANTRANSCO based project forms 56% of the order book as on December 31, 2022, resulting in high project concentration risk for the company. Further, the project execution is vulnerable to external factors such as adverse climatic conditions and delays in land acquisition and approvals, which might stretch completion timelines and TITPL's working capital position.

The Stable outlook on the [ICRA]BBB- rating reflects ICRA's opinion that TITPL's credit profile will remain stable, powered by a better execution of the moving order book and timely recovery of receivables and retention money.

### Key rating drivers and their description

#### Credit strengths

**Extensive experience of promoters and proven operational track record** – TITPL undertakes turnkey projects in the transmission line and substation segment with an established operational track record of over a decade. Its promoters have an experience of over three decades in the power sector, which has ensured a healthy order flow from state and central government entities.

**Pending order book position provides near-term revenue visibility** – TITPL’s order book size remains healthy with outstanding confirmed orders of Rs. 74.72 crore as on December 31, 2022, with a major portion of the orders from Tamil Nadu Transmission Corporation Limited (TANTRANSCO). Also, the company has been awarded L1 status for ~Rs. 95 crore of orders.

**Comfortable capital structure and moderate debt metrics**- TITPL’s capital structure remains comfortable, characterized by a gearing of 0.5 times as on March 31, 2022 as against 0.62 times as on March 31, 2021 owing to lower debt and relatively healthy networth position. The company largely relies on non-fund based facilities in the form of bank guarantee and letter of credit for its day to day operations. Its coverage indicators remained moderate with decline in the margins, reflected by Interest cover of 2.0 times for FY2022, TD/OPBDITA remained at 2.0 times in FY2022 from 3.0 times in FY2021 on account of the decline in OPBDITA levels. However, with expected improvement in margins, the debt coverage metrics are likely to improve in FY2023 and going forward.

### Credit challenges

**High customer and project concentration risk** – TITPL faces high customer concentration risk with a substantial portion of its revenues coming from projects executed for government utilities. In FY2022, the company derived around 92% of its revenues from various projects of Power Grid Corporation of India (PGCIL). Besides, the outstanding order book position is highly concentrated with a single project from TANTRANSCO constituting a major portion. However, the counterparty risk remains low, given the profile of the counterparties and the funding arrangement with multilateral agencies like World Bank, Japanese International Cooperation Agency (JICA) and Rural Electrification Corporation (REC) for most of the orders.

**Project execution risk** – TITPL’s project execution remains susceptible to external factors such as unfavourable climatic conditions and delays in land acquisition and in obtaining necessary approvals among others, which might result in stretching of its working capital cycle and in turn its liquidity profile. Any delay in the execution of the projects may impact the company’s cash flow and liquidity position.

**Intense competition** – Transmission EPC segment is characterised by intense competition with presence of various players in the industry. This leads to highly competitive bids, thereby keeping margins of industry players under check. However, TITPL’s long association with the clients alleviates the risk to a certain extent. Also, most of the contracts executed by the company have a built-in price escalation clause for key raw materials and wherever it is not available, the firm keeps sufficient cushion while quoting the contract rate.

### Liquidity position: Adequate

TITPL’s liquidity position is adequate with sufficient generation of cash flow to meet the debt obligations, a modest buffer in fund based working capital facilities of Rs. 1.29 crore as on December 31, 2022. Also, the company has enhanced its fund based working capital limits from Rs. 5.95 crore to Rs. 9.95 crore as on January 30, 2023. The liquidity buffer of Rs. 4.0 crore is likely to improve after this enhancement and release of retention money by March 31, 2023.

### Rating sensitivities

**Positive factors** – ICRA could upgrade TITPL’s rating if the company demonstrates healthy improvement in its OI by timely executing its ongoing projects while improving its operating margins and liquidity profile. A specific trigger which would lead to an upgrade would be an interest cover of >3.5 times on a sustained basis.

**Negative factors** – Pressure on TITPL’s rating could arise from any deterioration in the cash accruals or liquidity position on account of any delay in project execution or stretched receivables position. A specific credit metric that ICRA could monitor is the interest coverage decreasing to levels below 2.5 times on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	The rating is based on the standalone financial statements of the company.

## About the company

TITPL, established in 2007, provides turnkey solutions to power utilities and private power projects. The company is involved in the manufacturing, supply and installation of transmission lines and substation structures. It provides geospatial solutions to companies in the power sector. The company has completed several projects in both the domestic and international markets. It mainly executes projects for central and state government entities in the domestic market.

## Key financial indicators (Audited)

AVCL Standalone	FY2021	FY2022
Operating income (Rs. crore)	50.1	93.1
PAT (Rs. crore)	1.1	1.6
OPBDIT/OI (%)	9.2%	6.2%
PAT (%)	2.3%	1.8%
Total outside liabilities/Tangible net worth (times)	1.9	1.4
Total debt/OPBDIT (times)	3.0	2.0
Interest coverage (times)	1.7	2.0

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

## Status of non-cooperation with previous CRA: Not Applicable

## Any other information: None

## Rating history for past three years

	Instrument	Current rating (FY2023)			Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2022 (Rs. crore)	Current rating	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
					Feb 03, 2023	Nov 22, 2021	Nov 05, 2020	Oct 25, 2019
1	Long term fund based – term loan	Long-Term	1.60	1.10	[ICRA]BBB- (Stable)	-	-	-
2	Long term - fund based – cash credit	Long-Term	4.70	-	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)
3	Short term – fund based – cash credit	Short-Term	0.00	-	-	[ICRA]A3	[ICRA]A3	[ICRA]A3

	Instrument	Current rating (FY2023)			Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2022 (Rs. crore)	Current rating	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
					Feb 03, 2023	Nov 22, 2021	Nov 05, 2020	Oct 25, 2019
4	Short term – fund based – bill discounting	Short-Term	5.25	-	[ICRA]A3	-	-	-
5	Short term - non-fund based – others	Short-Term	35.05	-	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A3

### Complexity level of the rated instrument

Instrument	Complexity Indicator
Long – Term Fund Based-Term Loan	Simple
Long – Term Fund Based-Cash Credit	Simple
Short – Term – Fund Based- Bill Discounting	Simple
Short – Term Non - Fund Based-Others	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure-I: Instrument details**

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long – Term Fund Based-Term Loan	March 2022	NA	March 2027	1.60	[ICRA]BBB- (Stable)
NA	Long – Term Fund Based-Cash Credit	NA	NA	NA	4.70	[ICRA]BBB- (Stable)
NA	Short – Term – Fund Based- Bill Discounting	NA	NA	NA	5.25	[ICRA]A3
NA	Short – Term Non - Fund Based-Others	NA	NA	NA	35.05	[ICRA]A3

*Source: Company; Note: Amount in Rs. Crore*

*Please click here to view details of lender-wise facilities rated by ICRA*

**Annexure-II: List of entities considered for consolidated analysis-Not Applicable**

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