CareEdge RATINGS

Technocraft Ventures Limited

March 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	33.00 (Enhanced from 30.50)	CARE BB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	217.00 (Enhanced from 139.50)	CARE BB+; Stable / CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in the ratings assigned to the bank facilities of Technocraft Ventures Limited (TVL) are constrained by geographically concentrated although healthy order book of the company and modest scale of operations of the company. The ratings also factor in working capital intensive nature of operations as characterized by elongated operating cycle with high utilisation of working capital limits and intense competition in the construction industry. The ratings are, however, deriving comfort from track record of the promoters in the construction industry, average financial profile of the company as characterized by average capital structure and moderate debt coverage metrics and reputed clientele of the company.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in of operations of the company as marked by the increase in total operating income (TOI) above Rs. 400 crores with a PBILDT (Profit Before Interest, Lease, Depreciation and Tax) above 13.00% on a sustained basis.
- Maintaining a healthy operating cycle below 150 days.

Negative factors

- Decline in scale of operations as marked by the TOI below Rs. 150 crores with a PBILDT margin below 12.00%.
- Deterioration in debt profile of the company with overall gearing above 1.40x.
- Elongation of operating cycle of the company above 200 days thus impacting the liquidity position of the company negatively.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity shall sustain stable scale of operations along with steady profitability margins on the back of experienced promoters with long track of operations.

Detailed description of key rating drivers:

Key weaknesses

Geographically concentrated although healthy order book position: The company has an unexecuted order book position of Rs. 646.76 crore as on December 31, 2024, representing 2.94x of the TOI of FY24 (refers to April 01 to March 31). However, the order book is geographically concentrated with majority of the orders from Uttar Pradesh and Rajasthan. Further, there is client concentration also with over 70% of the orders from Municipal Corporation and Nagar Nigam, Rajasthan out of the total unexecuted order book. Also, execution of orders in Rajasthan which constitute a major chunk of the order book will be a key monitorable. Company's ability to timely execute its orders in hand along with timely receipts of the funds of billed amount will remain a key monitorable.

Average Financial risk profile: The entity's capital structure stood moderate, as marked by an overall gearing of 1.19x as on March 31, 2024 (0.91x as on March 31, 2023). The deterioration in overall gearing was on account of increase in working capital borrowings, mobilization advances and unsecured loans from related parties and others. The total outside liabilities to net worth (TOL/TNW) stood moderate at 1.82x as on March 31, 2024 (1.55x as on March 31, 2023). Debt coverage indicators stood moderate, as marked by PBILDT interest coverage of 4.24x in FY24 (2.71x in FY23) and total debt to GCA (TD/GCA) of 5.45x in FY24 (5.59x in FY23). CARE expects company to maintain its average financial risk profile over medium term. However, company's

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

ability to manage its working capital requirements efficiently while maintaining its capital structure at moderate level will remain a key monitorable.

Working Capital Intensive nature of operations as reflected by elongated operating cycle: Operation of entities in construction sector are working capital intensive in nature due to milestone-based payments, defect liability period, contractual performance terms and project specific challenges. During FY24, working capital cycle of TVL elongated to 169 days (PY: 149 days) on account of increase in gross current asset days to 396 days (PY: 354 days). The collection period stood on higher side at 121 days (PY: 131 days) due to higher billing done in March. However, the outstanding debtors of Rs. 100.44 crore as on March 31, 2024, had reduced to Rs. 62.04 crore as on December 31, 2024.

Competitive and tender based nature of industry: Though the demand prospects in water and wastewater treatment market are favourable given Government of India's initiatives like AMRUT and Jal Jeevan Mission and funding support from international agencies for facilitating investment in municipal infrastructure, the company remains exposed to the competitive pressure from other established players. Furthermore, the construction industry is fragmented with large number of small and medium scale players. Absence of price escalation contract in all contracts in hand of company exposes it to raw material fluctuation risk. This along with the tender driven nature of the construction contracts leads to intense competition and can put pressure on the profitability margins of players like TVL.

Key strengths

Growing although modest scale of operations: The TOI grew by 27% to Rs. 226.22 crore in FY24 as against FY23 primarily driven by better execution of orders. The company has also done trading sales of Rs. 19.17 crore during FY24 (PY: Rs. 0.22 crore). It has reported TOI of Rs. 185.64 crore in 9MFY25 (refers to April 01 to December 31) and the company is anticipating to book revenue of Rs. 260 crores for FY25.
The profitability margins of the company improved during FY24. PBILDT margin stood comfortable at 14.91% with a year-on-year improvement of 259 bps and PAT margin reported at 8.56% with a year-on-year improvement of 236 bps. Improvement in profitability margins is on account of execution of projects with higher margins in FY24. Most of the long-term contracts with entered by the company have built-in escalation clauses for any fluctuations in the raw material prices and labour cost which allows it to pass on any abnormal increase in input prices. Further, the company takes into consideration the impact of inflation at the time of bidding. Therefore, the profit margins are likely to be less affected due to raw material price fluctuations. Return on capital employed (ROCE) stood healthy at 19.96% during FY24 (PY: 16.12%) with a fixed asset turnover of 11.93x during FY24 (PY: 10.61x).

Reputed clientele base: TVL has a track record of over two decades in the construction business, and the promoters also have experience of over two decades in the same sector. This coupled with its technical competence and cost competitiveness has enabled the company to build strong relationships with government entities, which has helped TVL obtain orders through tenders and receive payments within the stipulated period.

Established track record of the promoters: The company is promoted by Sanjay Tyagi who is a civil engineer by profession and has more than 2 decades of experience in construction industry. He is supported by his son, Kartikey Tyagi in the overall operations of the company. The company has a team of more than 50 people comprising of Engineers, technicians, management staff and workers deployed across different project locations.

Liquidity: Stretched

The liquidity of the company is stretched characterized by tight cushion in expected accruals of Rs. 22.89 crore in FY25 as against the repayment obligation of Rs. 13.30 crore. Further, the company reported negative cash flow from operations (CFO) of Rs. 37.23 crore during FY24. The average utilisation of the working capital limits remained 90.88% with the maximum utilization at 99.68% in the past twelve months ended December 31, 2024. Further, the company has also taken ad hoc limits few times during the year for period of 30-90 days. The current and quick ratio stood 1.43x and 1.04x as on March 31, 2024, as against 1.32x and 0.80x as on March 31, 2023, respectively.

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](#)
[Construction](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Technocraft Construction Pvt Ltd (TCPL), founded by Sanjay Tyagi, was established in October 1998. On June 11, 2024, TCPL transitioned into a public company and was renamed Technocraft Ventures Limited (TVL). TVL specializes in constructing roads, sewer systems, highways, power sector projects, and other civil infrastructure works. TVL's primary focus is on road construction and civil activities for government organizations, mainly in Uttar Pradesh. The company holds a "Class 1" Government contractor registration with several authorities, including the Ghaziabad Development Authority, U.P. P.W.D. Lucknow, Uttaranchal P.W.D., Haridwar P.W.D., Haryana P.W.D., Nagar Nigam Ghaziabad, U.P. Jal Nigam, and U.P. Power Corporation Limited.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	178.71	226.22	185.64
PBILDT	22.01	33.72	NA
PAT	11.08	19.37	NA
Overall gearing (times)	0.91	1.19	NA
Interest coverage (times)	2.71	4.24	NA

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Brickwork has continued the ratings assigned to the bank facilities of TVL into 'Issuer not-cooperating' category vide press release dated January 06, 2025 on account of non-availability of requisite information from the company.

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Working Capital Limits	-	-	-	-	33.00	CARE BB+; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	217.00	CARE BB+; Stable / 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	Fund-based - LT-Working Capital Limits	LT	33.00	CARE BB+; Stable	-	1)CARE BB+; Stable (01-Feb-24)	-	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	217.00	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Stable / CARE A4+ (01-Feb-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-Working Capital Limits	Simple
2	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.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Puneet Kansal Director **CARE Ratings Limited** Phone: 91-120-4452000 E-mail: puneet.kansal@careedge.in
Relationship Contact Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Rajan Sukhija Assistant Director **CARE Ratings Limited** Phone: 91-120-4452000 E-mail: Rajan.Sukhija@careedge.in Kritika Goyal Analyst **CARE Ratings Limited** E-mail: kritika.goyal@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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