



Press Release

URJA INFRATECH AND POWER PROJECTS INDIA PRIVATE LIMITED

February 26, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 12.50 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE BB plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 12.50 crore bank facilities of URJA INFRATECH AND POWER PROJECTS INDIA PRIVATE LIMITED (UIPIPL). The outlook is '**Stable**'.

UIPIPL is a Maharashtra (Thane) based company established as a partnership firm in 2007. The firm was later converted to a private limited company in 2011. It is engaged in the field of power infrastructure as a class 'A' electrical contractor for providing electrical services to electrical turnkey projects & services and utility transmission and distribution. The company undertakes internal and external electrification work for government and non-government entities. Apart from this, UIPIPL also provides consultancy and contracting services for substation works from inception to completion.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of UIPIPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management and wide scope of work

The promoter, Mr. Ulhas Bhagwat has more than 15 years of past work experience at MSEDCL. Mrs. Sonali Bhagwat and Mr. Dashrath Yadao Bhagwat have been actively involved in the company since more than a decade. The promoters have established relations with its customers which has benefitted in terms of bagging new orders in competitive bidding model. Further, the company is securing regular orders from large players such as Indian Railways and other Government projects. Further, the company's focus remains primarily on the Government sector because of low credit risk. As an electrical contractor, the company operates with a wide scope of work. It is engaged in the industry of power infrastructure as an electrical contractor. It is also involved in the business of providing transmission, distribution services for electrical turnkey projects. UIPIPL provides consultancy and contracting services for sub-station work from inception to completion. It also undertakes internal and external electrification work for data centers, commercial buildings and hospitals among others. It also does liasoning work with electricity board authorities for approvals and commissioning of projects. The company undertakes designing work for the distribution channels of power projects. UIPIPL conducts energy auditing for offering energy efficient solutions which help in saving energy, energy cost for any commercial, residential or industrial project. It also undertakes annual maintenance work for electrical works. Acuite believes the experience of the promoters will continue to have a healthy impact on the business risk profile of UIPIPL.

• Moderate financial risk profile

UIPIPL has moderate financial risk profile marked by tangible net worth of Rs.4.81 crore as on 31 March 2018 as against Rs.2.90 crore as on 31 March 2017. The gearing stood at 0.61 times as on 31 March 2018 as against 0.00 times as on 31 March 2017. The debt of Rs.2.92 crore mainly consists of term loans of Rs.2.02 crore and working capital borrowings of Rs.0.90 crore as on 31 March 2018.

Interest Coverage Ratio (ICR) stood at 12.77 times for FY2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.43 times as on 31 March 2018 as against 3.12 times as on 31 March 2017. Going forward Acuite expects the company to maintain its financial risk profile in absence of major debt funded capex plans.

- **Healthy profitability indicators**

UIPIPL reported operating margins of 30.90 percent for FY2018 as against 31.46 percent for FY2017. This is mainly after the company started taking the contracts themselves than operating as sub-contractors like earlier. The PAT margins stood at 19.52 percent for FY2018 as against 19.62 percent for FY2017. The Net Cash Accrual (NCA) margins stood at 19.64 percent for FY2018 as against 19.74 for FY2017. UIPIPL reported an average Return on Capital Employed (ROCE) of 125.95 percent for the 3 years ended FY2018.

- **Reputed clientele**

UIPIPL has worked for reputed list of clients in the government sector and private sector in the past. Amongst the industrial projects the company has worked for companies like Siemens, JSW Ispat, Deepak Fertilizers and Braco Electricals Private Limited among others. Amongst commercial projects undertaken UIPIPL has worked for clients such as L&T Construction Company Limited, Kalpaturu Construction, Rustumjee, HDIL Limited, Lodha, IKEA India Limited and SVKM among others. The company has worked with major IT & Telecommunication related companies like Capgemini, Vodafone Essar Shared Services, Patni Computers, Bharti Airtel Limited, Sify Technologies and IKEA among others for their data center projects. The company has successfully executed projects for government companies like Maharashtra State Electricity Distribution Company Limited (MSEDCL), IIM Indore, Indian Railways and Maharashtra State Electricity Transmission Company Limited (MSETCL) among others.

Weaknesses

- **Intensive working capital operations**

The company has working capital intensive operations due to requirement of various deposits mainly for bank guarantee. The Gross Current Assets (GCA) stood at 371 days in FY2018 as against 368 days in FY2017, while the collection period stood at 240 days during FY2018 against 229 days in FY2017. Other current assets of Rs.3.95 crore for FY2018 comprises mainly of retention money and deposits against bank guarantee. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- **Modest scale of operations due to tender based nature of business**

The operations of the UIPIPL are considered to be at moderate level despite the firm being in the electrical infrastructure business from last 11 years. The company has achieved operating income of Rs.14.15 crore in FY2018 as compared to Rs.11.44 crore in FY2017. Being an electrical contractor the revenue of UIPIPL depends on the number of successful bids and the tenders being released in the financial year. However with current order book the company exhibits revenue visibility for next financial year.

Outlook: Stable

Acuite believes that UIPIPL will maintain a 'Stable' business risk profile over the medium term. The firm will continue to benefit from its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues or profit margins, or in case of deterioration in the financial risk profile and liquidity position.

Liquidity Position

UIPIPL has weak liquidity marked by low net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.30 to 2.80 crore during the last three years through 2017 -18, while its maturing debt obligations were in the range of Rs.2.00 - 2.10 crore over the same period. The cash accruals of the company are estimated to remain around Rs.4.00 – 9.00 crore during 2019-21 while its repayment obligations are estimated to be around Rs. 2.00 – 3.00 crore. UIPIPL's operations are working capital intensive as marked by gross current asset (GCA) days of 371 in FY2018. This has led to increased reliance on working capital borrowings, the cash credit limit in the company remains utilized at 99 percent during the last 12 months period ended December 2018. UIPIPL maintains unencumbered cash and bank balances of Rs.0.10 crore as on March 31, 2018. The current ratio of

the group stands healthy at 1.38 times as on March 31, 2018. The group is likely to incur capex of Rs.1.00 – 2.00 crore over the medium which is likely to be funded through internal accruals. Acuite believes that the liquidity of the group is likely to improve over the medium term on account of healthy cash accrual and no major repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	14.15	11.44	7.93
EBITDA	Rs. Cr.	4.37	3.60	0.35
PAT	Rs. Cr.	2.76	2.24	0.32
EBITDA Margin	(%)	30.90	31.46	4.42
PAT Margin	(%)	19.52	19.62	4.09
ROCE	(%)	86.12	205.47	86.26
Total Debt/Tangible Net Worth	Times	0.61	0.00	0.16
PBDIT/Interest	Times	12.77	921.02	214.10
Total Debt/PBDIT	Times	0.64	0.00	0.29
Gross Current Assets (Days)	Days	371	368	231

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB+ / Stable
Proposed Short Term Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+

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About Acuité Ratings & Research:

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