

Press Release

Team Universal Infratech Private Limited

15 December, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 18.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA BB minus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.18.00 crore bank facilities of Team Universal Infratech Private Limited (TUIPL). The outlook is '**Stable**'.

Incorporated in July 2008, TUIPL is a Hyderabad-based company promoted by Mr Sanjay Agarwal and Mr Sunny Sahni. The company is engaged in civil construction and undertakes construction of roads, buildings, bridges, townships, etc as a principle contractor as well as on sub-contract basis.

Key Rating Drivers

Strengths

Experienced management and moderate track record of operations

The company was incorporated in 2008 by Mr. Sanjay Agarwal and Mr. Sunny Sahani who possesses over two decades of experience in infrastructure development. Mr. Agarwal has managed projects in Indonesia, Malaysia and Australia also. Over the past decade, the company has executed projects valued at ~ Rs. 850 crore.

Healthy order book position

TUIPL has a current order book of Rs 471 crore. The company has undertaken construction of NH-24 - 8 lane from Bareilly to Sahajahanpur in Uttar Pradesh. The contract, bagged by ERA Infra Engineering Limited from NHAI, valued at Rs 1,236 crore, was sub-contacted to TUIPL for Rs 471 crore. The company has executed orders of ~Rs 150 crore till September 2017 and is expected to complete another Rs 80 crore worth of orders by March 2018. In addition, TUIPL is currently undertaking an internal road construction project for Bareilly Development Authority (BDA) for a total cost of Rs 12 crore. Till September 2017, the company has completed Rs 8 crore of the project and is expected to complete it in total by March 2018.

Financial risk profile

TUIPL's healthy financial risk profile is reflected in its strong net worth base, healthy gearing and comfortable debt protection metrics. The net worth stood healthy at Rs 50.90 crore in FY2017 as against Rs 47.74 crore in FY2016. The gearing is comfortable at 0.45x times in FY2017 as against 0.41x times in FY2016. The debt protection metrics are comfortable, marked by interest coverage ratio (ICR) of 2.39x times in FY2017 as against 2.80x times in FY2016. The NCA/TD stands at 0.22x times as of FY2017 as against 0.18x times as of FY2016.

Weaknesses

Customer concentration risk

TUIPL is exposed to customer concentration risk as around 95 percent of revenue for FY2017 has been derived from a single customer - ERA Infra Engineering Limited

Stretched debtors position

The debtor days stood at 173 in FY2017 vs 262 days in 2016. As on 31 March 2017, 80 per cent of the debtors of Rs. 56.36 crore were over six months.

Intense competition

The company faces intense competition from both organised and unorganised players in the civil construction sector.

Analytical Approach

For arriving at the ratings, SMERA has considered the standalone financial and business risk profile of TUIPL.

Outlook: Stable

SMERA believes that TUIPL will maintain a stable outlook backed by experienced management and healthy order book. The outlook may be revised to 'Positive' if the company registers higher than expected revenues while improving profitability and debtor position. However, the outlook may be revised to 'Negative' if the company fails to deliver the projects in time, thereby failing to achieve the expected revenues and profitability or if the debtor position further deteriorates.

About the Rated Entity - Key Financials

For FY2017, TUIPL reported Profit after Tax (PAT) of Rs.3.16 crore on total operating income of Rs.118.98 crore compared with PAT of Rs1.56 crore on total operating income of Rs.64.57 crore in FY2016.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB- / Stable (Assigned)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A4 (Assigned)

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