

## Press Release

Team Universal Infratech Private Limited

February 20, 2019

### Rating Reaffirmed



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

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 18.00 crore bank facilities of Team Universal Infratech Private Limited (TUPL). The outlook assigned is '**Stable**'.

Incorporated in July 2008, TUPL 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 and townships among others as a principle contractor as well as on sub-contract basis.

### Analytical Approach

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

## 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 Sahni who holds over two decades of experience in infrastructure development. Mr. Agarwal has managed projects in Indonesia, Malaysia and Australia. Over the past decade, the company has executed projects valued at ~Rs. 900.00 crore.

#### • Healthy order book position

TUPL has current order book of Rs.629.22 crore. The company has undertaken construction of NH-52 4-lane from Solapur to Bijapur in Maharashtra. The contract, bagged by IJM India Infrastructure Ltd from NHAI, valued at Rs.1236 crore, was sub-contacted to TUPL for Rs.486.19 crore. The company has executed orders of ~Rs.60.00 crore till January 2019 and is expected to complete another Rs.60.00 crore worth of orders by March 2019. In addition, TUPL is currently undertaking an International Airport Construction of Apron at Lucknow (Uttar Pradesh) for total cost of Rs.40.90 crore.

### Weaknesses

#### • Average Financial risk profile

TUPL's financial risk profile is marked by its moderate net worth, low gearing and average debt protection measures. The net worth decreased to Rs.50.52 crore as on 31 March, 2018 as against Rs.50.90 crore in the previous year on account of net losses of Rs.0.38 crore as on FY18. The company's gearing is estimated to be low at 0.27 times as on 31 March, 2018. The company has followed a conservative financial policy in the past, as reflected by its peak gearing of around 0.45 times as on March 31, 2017. The total debt of Rs.13.87 crore consists of long term debt of Rs.4.27 crore, Rs. 3.57 crore unsecured loans from promoters and Rs.6.03 crore of short term debt obligations. The moderate profitability levels has resulted in moderate net cash accruals of Rs.0.59 crore during 2016-18, while the debt levels have remained low at around Rs.13.87 crore during the same period, leading to average debt protection measures. The interest coverage ratio stood at 1.17 times in FY18 as against 2.39 times in the previous year. NCA/TD ratio stood 0.04 times in FY18.

Acuite believes that the financial risk profile will continue to remain average on account of healthy cash accruals and minimal reliance on debt.

#### • Working capital intensive nature of operations

The operations of TUPL are working capital intensive reflected by high Gross Current Assets (GCA) which stood at 207 days, driven by debtors of 53 days and inventory of 24 days, as on March 31, 2018. Also, on receipt of tender, the company has to arrange for 5 percent of the tender value as cash or bank guarantee. Principal deducts another 2.5 percent as retention amount from each running bill, taking the total retention money to 10 percent of the project cost. Inventory is expected to be around similar levels over the medium term. Working capital requirement is funded through bank lines that have been 100 percent utilised over the six months through January 2018. Creditors were at 91 days as on March 31, 2018. Acuite believes that the operations of TUPL are likely to remain working capital intensive over the medium term.

#### Outlook: Stable

Acuite believes that the outlook on TUPL's rated facilities will remain 'Stable' over the medium term on account of its promoters' extensive experience and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

#### Liquidity position

TUPL has stretched liquidity marked by average net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.50 to Rs. 4.95 crore during the last three years through 2017 - 18, while its maturing debt obligations were in the range of Rs.3.00 to Rs. 6.85 crore over the same period. The cash accruals of the company are estimated to remain at around Rs. 4.50 - Rs.10.00 crore during 2019-21. The company's operations are working capital intensive as marked by Gross Current Asset (GCA) days of 207 in FY 2018. The company maintains unencumbered cash and bank balances of Rs.0.46 crore as on March 31, 2018. The current ratio of the company stood moderate at 2.32 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accrual while its maturing debt obligations are estimated to be in the range of Rs.0.50 to Rs. 1.50 crore.

#### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	119.54	118.98	64.57
EBITDA	Rs. Cr.	6.03	5.79	4.91
PAT	Rs. Cr.	-0.38	3.16	1.56
EBITDA Margin	(%)	5.05	4.87	7.61
PAT Margin	(%)	-0.32	2.65	2.41
ROCE	(%)	3.27	5.41	4.24
Total Debt/Tangible Net Worth	Times	0.27	0.45	0.41
PBDIT/Interest	Times	1.17	2.39	2.80
Total Debt/PBDIT	Times	4.11	3.87	4.01
Gross Current Assets (Days)	Days	207	218	349

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

None

#### 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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
15-Dec-2017	Cash Credit	Long Term	3.00	ACUITE BB- / Stable (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A4 (Assigned)

## \*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	3.00	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4

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## About Acuité Ratings & Research:

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