

Press Release

Team Universal Infratech Private Limited

July 10, 2020

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (**ACUITE A four**) to the Rs. 18.00 crore bank facilities of Team Universal Infratech Private Limited (TUPL). The outlook 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, townships, etc. as a principal contractor as well as on sub-contract basis.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of TUPL to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

The company was incorporated in 2008 by Mr. Sanjay Agarwal and Mr. Sunny Sahani, 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 a current order book of Rs.419.00 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. TUPL has also undertaken EPC work for residential and commercial buildings for IJM India. The company has recorded an operating income of Rs.142.22 crore (Provisional) in FY2020. In addition, TUPL is currently undertaking an International Airport Construction of Apron at Lucknow (Uttar Pradesh) for a total cost of Rs. 40.90 crore.

• Moderate financial risk profile

The financial risk profile of the company is moderately marked by moderate net worth, comfortable leverage and debt protection metrics. The net worth stood comfortable at Rs. 53.02 crore as on 31 March, 2019 as against Rs. 50.52 crore as on 31 March, 2018. The gearing improved to 0.28 times as on 31 March, 2019 from 0.27 times in the previous year. The total debt of Rs. 14.72 crore includes working capital borrowings and long term borrowings of Rs. 5.90 crore and term loans Rs. 7.92 crore respectively. The TOL/TNW also stood at 2.23 times as on 31 March, 2019 as against 0.93 times as on 31 March, 2018. The Interest Coverage Ratio improved to 1.99 times in FY2019 from 1.17 times in FY2018.

Weaknesses

• Working capital intensive operations

The company's operations are highly working capital intensive marked by Gross Current Assets (GCA) of 428 days for FY2019 as against 207 days in the previous year. This primarily on account of the retention money and deposits the client has maintained with its customers. Receivable period stood at 289 days for FY2019 as against 142 days for FY2018.

Acuite believes that ability of the company to improve the liquidity position over the medium term would be the key rating sensitivity over the medium term.

• Tender based nature of operations

The company has its work orders from private and government organizations which are tender based and the revenues are dependent on the company's ability to bid successfully for the tenders. The company is also exposed to intense competition in the industry.

Liquidity Position: Stretched

TUPL generated cash accruals of Rs.0.50 to Rs. 7.78 crore during the last three years through 2017 - 19, while its maturing debt obligations were around Rs.3.00 over the same period. The cash accruals of the company are estimated to remain at around Rs. 6.00 - Rs.10.00 crore during 2020-22. The company's operations are working capital intensive as marked by Gross Current Asset (GCA) days of 428 in FY 2019. The company maintains unencumbered cash and bank balances of Rs. 1.18 crore as on March 31, 2019. The current ratio of the company stood moderate at 1.24 times as on March 31, 2019. Acuite believes that the liquidity of the company is likely to remain stretched over the medium term on account of working capital intensive nature of operations and high bank limit utilization. The bank limit utilization stands at around ~95 percent for the period ended March 31, 2020.

Rating Sensitivities

- A sustained improvement in the scale of operations while maintaining profitability will be a key rating sensitivity.

Material Covenants

None

Outlook: Stable

Acuite believes that TUPL will maintain a Stable outlook and continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm registers substantial revenue growth while maintaining stable profitability. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected scalability in revenue or deterioration in profitability on account of higher than expected increase in cost.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	108.20	119.54
Profit after Tax (PAT)	Rs. Cr.	2.50	(0.38)
PAT Margin	(%)	2.31	(0.32)
Total Debt/Tangible Net Worth	Times	0.28	0.27
Total Debt/PBDIT	Times	1.99	1.17

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities – <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore.)	Ratings/Outlook
20-Feb-2019	Cash Credit	Long Term	3.00	ACUITE BB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A4 (Reaffirmed)
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 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Vice President - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Parth Pandit Analyst - Rating Operations Tel: 022-49294032 parth.pandit@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.