

## Press Release

Team Universal Infratech Private Limited

July 10, 2020



### Rating Reaffirmed

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

\* Refer Annexure for details

### Rating Rationale

Acuité 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

Acuité 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 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 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.

Acuité 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. Acuité 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**

Acuité 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

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### About Acuité Ratings & Research:

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