

Press Release

Ubitech Private Limited

February 07, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 62.00 crore
Long Term Rating	SMERA BBB-/ Stable
Short Term Rating	SMERA A3

*Refer annexure for details

SMERA has assigned long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) and short term rating of '**A3**' (read as A three) to Rs. 62.00 crore bank facilities of Ubitech Private Limited. The outlook is '**Stable**'.

Ubitech Private Limited (UPL) was incorporated in 1983 by Mr. Om PrakashPandey. At present the directors are Mr. Om PrakashPandey and Mr.RaajPandey. The company is primarily engaged in EPC contracting of road and rural electrification projects. The company caters to reputed clients consisting mainly state governments of Uttar Pradesh, Himachal Pradesh, Madhya Pradesh etc. The company procures its raw materials, i.e., conductors, cables, transformers, etc. from vendors certified by the government.

It is also engaged in manufacturing of sheet metals which has its manufacturing facility in Chennai, Tamil Nadu. UPL is the Original Equipment Manufacturer (OEM) for companies like Ashok Leyland, TI Metal, and a few more companies. The raw materials for this business are supplied by the respective clients and the final products are usually customized.

Key rating drivers

Strengths

Long track record of operations with experienced management

The firm has been in this line of business since 1983. Mr. O P Pandey has around 30 years of experience in this line of business which has helped him in establishing comfortable relationship with clients.

The company has executed projects in industrial houses, multi-storied complexes, automobile industry, sugar industry, chemical industry, rubber industry, textile industry, power plant, pharmaceuticals industry, hospitals, hotels, shopping malls, mining, tea estate and IT parks since inception.

Reputed clientele with wide geographic diversification

The company caters to reputed clientele like various state governments. Since the company works with various state governments such as Uttar Pradesh, Madhya Pradesh, Himachal Pradesh etc.

The company also is engaged in manufacturing of sheet metals where it caters to clients such as Ashok Leyland, TI Metal, and others along with local players. UPL has already generated revenue of Rs. 200.00 crore during April to December 2017 (Provisional).

Healthy Financial Risk Profile

The financial risk profile is marked by modest networth, comfortable gearing and healthy debt protection measures. The net worth stood at Rs 20.89 crore as on 31 March, 2017. The debt equity stood at 0.90 in FY2017 times as compared to 1.06 in FY2016. The interest coverage at 3.47 times in FY2017 as against 2.26 times in FY2016. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.30 times while Debt Service Coverage (DSCR) stood at 2.81 times as on March 31, 2017.

Weaknesses

Working capital intensive nature of operation

UPL's operations are working capital intensive which is evident from high gross current assets (GCA) days of 109 days during FY2017. This is due to low inventory 4 days and high debtor days of 62. The high debtor days is mainly due to the nature of contractual payment structure from the client.

Tender based business

The profit margins are susceptible to the tender based nature of business and intense competition in the industry. The company's bidding and success ratio of winning the bids is to the tune of 10-20 per cent. The company only bids for a few projects every year in order to execute it on a timely basis along with good quality work.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of UPL to arrive at the rating

Outlook: Stable

SMERA believes that UPL will maintain a stable outlook in the medium term on account of its management's long standing relationship with its reputed clients and also its financial risk profile. The outlook may be revised to 'Positive' in case of improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in working capital management or decline in case its success ratio of winning bids reduce leading it to earn lesser revenue.

About the Rated Entities- Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	108.46	72.77	54.78
EBITDA	Rs. Cr.	10.64	6.74	6.80
PAT	Rs. Cr.	3.89	1.32	0.80
EBITDA Margin	(%)	9.81	9.26	12.40
PAT Margin	(%)	3.58	1.81	1.47
ROCE	(%)	24.45	15.30	29.86
Total Debt/Tangible Net Worth	Times	1.27	1.76	2.03
PBDIT/Interest	Times	3.47	2.26	1.92
Total Debt/PBDIT	Times	2.71	1.86	1.75
Gross Current Assets (Days)	Days	109	158	203

Any other information

Not Applicable

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>

Status of non-cooperation with previous CRA (if applicable):None

Rating History for the last three years:

None

***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**	NA	NA	NA	12.00	SMERA BBB-/Stable
Secured Overdraft (SOD)*	NA	NA	NA	3.00	SMERA BBB-/Stable
Bank Guarantee#	NA	NA	NA	15.00	SMERA A3
Bank Guarantee	NA	NA	NA	32.00	SMERA A3

**Sublimit – IBP Rs.2.00 crore *Sublimit – LC Rs.3.00crore

#Sublimit- LC=Rs.5.00 crore

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ABOUT SMERA

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