



PRESS RELEASE

Ubitech Private Limited

October 19, 2018

Rating Downgraded and Assigned

Total Bank Facilities Rated*	Rs. 90.00 Cr. (Enhanced from Rs. 62.00 crore)
Long Term Rating	ACUITE BB+ / Outlook: Stable (Downgraded from ACUITE BBB-/Stable)
Short Term Rating	ACUITE A4+ (Downgraded from ACUITE A3)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long term rating to '**ACUITE BB+** (read as ACUITE double B plus) from '**ACUITE BBB-**'(read as ACUITE triple B minus) and short term rating to '**ACUITE A4+** (read as ACUITE A four plus) from '**ACUITE A3**' (read as ACUITE A three) to the Rs. 62.00 crore bank facilities of Ubitech Private Limited (UPL). The outlook is '**Stable**'.

In addition, Acuité has assigned long term rating of '**ACUITE BB+** (read as ACUITE double B plus) and short term rating of '**ACUITE A4+** (read as ACUITE A four plus) to the Rs. 28.00 crore bank facilities of Ubitech Private Limited (UPL). The outlook is '**Stable**'.

Incorporated in 1983, UPL is an Uttar Pradesh based company engaged in EPC contracting. The company undertakes road and rural electrification projects under different government projects. In addition, UPL is engaged in manufacturing of sheet metals used in automobile industry. The company was promoted by the Pandey family and currently, the operations are being managed by Mr. Om Prakash Pandey and Mr. Raaj Pandey.

The rating has been downgraded based on customer concentration, decline in credit quality of key customer and low revenue visibility for future.

Analytical Approach

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

Key Rating Drivers:

Strengths

Long track record of operation and experienced management

UPL has long track record of over three decades in the EPC contracting business. The long track record has helped the company to established healthy relationship with customers and suppliers. UPL, a government approved 'ESA' Grade contractor with experience of 30 years in executing the activities in Industrial houses, Multistory 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.

Healthy financial risk profile

The financial risk profile is marked by comfortable gearing, healthy debt protection measures and modest net worth. The debt-equity ratio stood at 0.13 times in FY2018 (Provisional) as compared to 0.90 times in FY2017. The interest coverage ratio stood at 7.48 times in FY2018 (Provisional) as against 3.47 times in FY2017. The Net Cash Accruals to Total Debt (NCA/TD) stood at 2.57 times, while Debt Service Coverage Ratio (DSCR) stood at 5.55 times as on March 31, 2018 (Provisional). The net worth stood at Rs.34.55 crore as on 31 March 2018 (Provisional) as compared to Rs.20.89 crore as on 31 March, 2017.

Weaknesses

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 tender bids is only to the tune of 10-20 percent. The company only bids for a few projects every year in order to execute it on a timely basis along with good quality work.

Customer concentration risk

The company faces high customer concentration and geographic concentration risk. Its major customers, Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (MPPKVVCL), accounted for more than 50 percent of its sales in the last three year period. The high customer concentration renders the revenue growth and profitability susceptible to the growth plans, procurement and credit policies of its key customers. The current unexecuted order book position to the tune Rs.103.27 gives moderate revenue visibility over the medium term.

Outlook: Stable

Acuité believes that UPL will maintain a 'Stable' outlook in the medium term on account of its management's long standing experience in the same line of business. The outlook may be revised to 'Positive' in case of improvement in order book position and inclusion of new customers thereby reducing its dependence on a single customer. Conversely, the outlook may be revised to 'Negative' in case of decline in case of weakening of financial risk profile and increase in working capital intensity.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov.)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	208.69	108.46	72.77
EBITDA	Rs. Cr.	18.09	10.64	6.74
PAT	Rs. Cr.	8.89	3.89	1.32
EBITDA Margin	(%)	8.67	9.81	9.26
PAT Margin	(%)	4.26	3.58	1.81
ROCE	(%)	40.99	24.45	15.30
Total Debt/Tangible Net Worth	Times	0.13	0.90	1.06
PBDIT/Interest	Times	7.48	3.47	2.26
Total Debt/PBDIT	Times	0.24	1.71	2.54
Gross Current Assets (Days)	Days	46	109	158

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>
- Financial Ratios And Adjustments-<https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities-<https://www.acuite.in/view-rating-criteria-14.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
07-Feb-2018	Cash Credit**	Long Term	12.00	ACUITE BBB-/Stable (Assigned)
	Secured Overdraft (SOD)*	Long Term	3.00	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee#	Short Term	15.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	32.00	ACUITE A3 (Assigned)

**Sublimit – IBP Rs.2.00 crore

*Sublimit – LC Rs.3.00crore

#Sublimit- LC=Rs.5.00 crore

*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	12.00	ACUITE BB+/Stable (Downgraded from ACUITE BBB-/Stable)
Secured Overdraft (SOD)*	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB+/Stable (Downgraded from ACUITE BBB-/Stable)
Bank Guarantee#	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+ (Downgraded from ACUITE A3)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	32.00	ACUITE A4+ (Downgraded from ACUITE A3)
Proposed Fund Based	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB+/Stable (Assigned)
Proposed Non-Fund Based	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A4+ (Assigned)

**Sublimit – IBP Rs.2.00 crore

*Sublimit – LC Rs.3.00crore

#Sublimit- LC=Rs.5.00 crore

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About Acuité Ratings & Research:

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