

Press Release

Univastu India Limited

September 12, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 22.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite has assigned long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs.22.00 crore bank facilities of Univastu India Limited (UIL). The outlook is '**Stable**'.

UIL was incorporated as a private limited company in 2009 with the name 'Unique Vastushilp and Projects Private Limited' by Mr. Pradeep Khandagale and his family. Subsequently, the name of the company was changed to 'Univastu India Private Limited'. Further, the company was converted into a public limited company in 2017 and consequently, the name of the company was changed to 'Univastu India Limited'. It is an ISO 9001, 14001 & OHSAS 18001 Certified Company. UIL is Maharashtra based company, engaged in civil construction of Sports Complex, Multi-purpose Hall, Commercial Structures, Industrial Structures, Hospitals, Educational Institution, Mass Housing Projects, Water supply & Drainage Projects, Road Projects, Minor Irrigation Projects and among others.

Analytical Approach

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

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

UIL is promoted by Mr. Pradeep Khandagale who also manages the day to day operations of the company. He has an experience of around 18 years in the same line of business. UIL is engaged in providing different types of civil construction in segments such as commercial structures, industrial buildings, bridges, water and drainage projects, dams under government and semi government entities. The promoter's extensive experience is also reflected through the healthy revenue growth over the last 4 years through 2017-18. The company's revenue grew at a CAGR of 50 percent to Rs.70.88 crore over the aforementioned period. UIL's order book position remains healthy at Rs.378.00 crore as on 31 July, 2018 out of which Rs.60.00 crore worth of orders are already executed as on 31 August, 2018. Hence, the healthy order book provides modest revenue visibility for the company over the medium term.

Acuite believes that the company will continue to benefit through the promoter's extensive industry experience over the medium term.

• Moderate financial risk profile and comfortable liquidity position

UIL's financial risk profile is marked by its moderate net worth, low gearing and moderate debt protection measures. The net worth increased to Rs.16.61 crore as on 31 March, 2018 as against Rs.6.23 crore in the previous year on account of equity infusion of Rs.7.06 crore by the promoters to support the incremental working capital requirements. The company's gearing is estimated to be low at 0.78 times as on 31 March, 2018 as against 1.00 times in the previous year. The company has followed a conservative financial policy in the past, as reflected by its peak gearing of around 1.53 times as on March 31, 2016. The total debt of Rs.13.01 crore consists of long term debt of Rs.1.48 crore and Rs.11.53 crore of short term debt obligations. The healthy revenue growth coupled with moderate profitability levels has resulted in healthy net cash accruals of Rs.3.80 crore during 2016-18,

while the debt levels have remained low at around Rs.13.01 crore during the same period, leading to healthy debt protection measures. The interest coverage ratio stood at 3.70 times in FY18 as against 2.54 times in the previous year. NCA/TD ratio stood 0.29 times in FY18.

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

• **Reputed clientele base**

UIL caters to reputed clientele such as CIDCO Navi Mumbai - Maharashtra, Sports Authority of Goa (SAG), Agriculture Produce Market Committee (APMC)- Pune, Goa Housing Board (Govt. of Goa), Maharashtra State Board of Technical education (MSBTE), Prakash Constrowell Limited to name a few. Hence, the entire revenue is generated from State Government and Central Government, thus providing low counter party risk, the company however is exposed to delay in realisation of receivables.

Weaknesses

• **Customer concentration risk**

About 92 percent of orders of the company are from top 5 customers, thus is exposed to significant customer concentration risk.

• **Profitability susceptible to fluctuations in input cost**

The input cost i.e. power cost, labour cost and raw materials - iron, steel and cement are highly volatile in nature with labour cost constituting around ~66 percent of the total revenue as the company sub-contracts its work. Hence, any adverse movement in input costs can impact profitability. However, the company reported EBITDA margin of 8.75 percent in FY2018 as against 9.53 percent in the previous year.

• **Working capital intensive nature of operations**

The operations of UIL are working capital intensive reflected by high Gross Current Assets (GCA) which stood at 264 days, driven by debtors of 130 days and inventory of 82 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 95 percent utilised over the six months through January 2018. Creditors were at 171 days as on March 31, 2018.

Acuite believes that the operations of UIL are likely to remain working capital intensive over the medium term.

Outlook: Stable

Acuite believes that the outlook on UIL's rated facilities will remain stable over the medium term on account of its promoter's extensive experience, moderate financial risk profile 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.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	70.88	40.27	21.88
EBITDA	Rs. Cr.	6.20	3.84	2.31
PAT	Rs. Cr.	3.33	1.36	0.60
EBITDA Margin	(%)	8.75	9.53	10.56
PAT Margin	(%)	4.69	3.38	2.76
ROCE	(%)	31.20	31.44	40.06
Total Debt/Tangible Net Worth	Times	0.78	1.00	1.53
PBDIT/Interest	Times	3.70	2.54	2.57
Total Debt/PBDIT	Times	1.85	1.60	2.47
Gross Current Assets (Days)	Days	264	201	319

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

Not Applicable

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)

Not Applicable

*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	13.00	ACUITE BBB-/ Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3 (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 (Assigned)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-67141111 aditya.gupta@acuite.in Sanket Kotkar Analyst - Rating Operations Tel: 022-67141147 sanket.kotkar@acuiterratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

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.*