

Press Release

Univastu India Limited

November 26, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 33.00 Cr. (Enhanced from Rs.22.00 crores)
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 33.00 crore (enhanced from Rs.22.00 crores) bank facilities of Univastu India Limited(UIL). The outlook is '**Stable**'.

Univastu India Limited (UIL) incorporated as a private limited company in 2009 was previously known as 'Unique Vastushilp and Projects Private Limited' promoted by Mr. Pradeep Khandagale and 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'. UIL is ISO 9001, 14001 & OHSAS 18001 Certified Company. The company is based of Maharashtra engaged in different types of civil constructions in the segments like 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 more.

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 managed by key promoter Mr. Pradeep Khandagale who manages the day to day operations of the company. He has an experience of around 18 years in the same line of business. The company 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. Other promoters also possess over a decade experience in the said line of business. The promoter's extensive experience is also reflected through the healthy revenue growth over the last five years through 2017-19. The company's revenue grew at a CAGR of 41.85 percent to Rs. 88.59 crore over the aforementioned period. UIL's order book position remains healthy at Rs. 465.00 crore as on October, 2019 out of which Rs. 161.50 crore worth of orders are already executed as on 31 October, 2019 and rest to be executed in two to three years. Hence, the healthy order book provides modest revenue visibility for the company over the medium term. The extensive experience of promoters has helped company in successfully bidding of orders and maintaining longstanding relationships with its suppliers. 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. 21.19 crore as on 31 March, 2019 as against Rs. 16.61 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 In FY2018 and retaining profits in the business. The net worth includes unsecured loans of Rs. 1.82 crores as 31 March 2019 and Rs. 1.71 crore as on 31 March 2018. The company's gearing stood low at 1.18 times as on 31 March, 2019 as against

0.78 times in the previous year. The company has followed a conservative financial policy in the past, as reflected by its peak gearing of around 1.18 times as on March 31, 2019. The total debt of Rs. 25.07 crore consists of long term debt of Rs.3.46 crore and Rs.21.61 crore of short term debt obligations. The healthy revenue growth coupled with moderate profitability levels has resulted in healthy net cash accruals of Rs. 5.24 crore during 2017-19, while the debt levels have remained low at around Rs.21.61 crore during the same period, leading to healthy debt protection measures. The interest coverage ratio stood at 2.64 times in FY2019 as against 3.70 times in the previous year. NCA/TD ratio stood 0.21 times in FY2019. 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**

The company 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) to name a few. UIL generates revenue through tender execution for State Government and Central Government, thus providing low counter party risk, the company however is exposed to delay in realisation of receivables.

Weaknesses

• **Working capital intensive nature of operations**

The operations of UIL are working capital intensive reflected by high Gross Current Assets (GCA) which stood at 293 days, driven by debtors of 110 days and inventory of 82 days, as on March 31, 2019. 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 98.00 percent utilised over the six months through October 2019 and Creditors were at 219 days as on March 31, 2019. Acuite believes that the operations of UIL are likely to remain working capital intensive over the medium term.

• **Highly competitive industry and Profitability susceptible to fluctuations in input cost**

The civil construction and infrastructure industry is marked by presence of large number of organized and unorganized players in the industry. The company faces intense competition from the presence of several mid to large sized players in the said industry. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts and susceptibility to inherent cyclicality in the sector. The presence of large number of player's increases competition and has direct impact on pricing, restricts bargaining power having adverse impact on margins. Further, the input cost i.e. power cost, labour cost and raw materials - iron, steel and cement are highly volatile in nature as the company sub-contracts its work. Hence, any adverse movement in input costs can impact profitability. However, the company reported EBITDA margin of 12.43 percent in FY2019 as against 8.75 percent in the previous year.

Rating Sensitivities

- Improving revenue and Margins
- Elongation in working capital cycle
- Customer concentration risk
- Susceptibility timely execution of the projects

Material Covenants

Not Any

Liquidity Position: Adequate

The company has adequate liquidity marked by sufficient net cash accruals to its maturing debt obligations. UIL generated cash accruals of Rs. 5.24 crore in FY2019 against debt obligations of Rs.0.50 to 0.70 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.5.50 crore to Rs.6.00 crore during FY2020-22 against repayment obligations ranging from Rs.0.60 crore to Rs.0.75 crore for the same period. The company's working capital operations are intensive marked by gross current asset (GCA) days of 293 days in FY2019. Working capital requirement

is funded through bank lines that have been 98.00 percent utilised over the six months through October 2019. The company maintains unencumbered cash and bank balances of Rs. 1.17 crore as on 31 March, 2019. The current ratio stood low at 1.32 times as on 31 March, 2019. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals against no major debt repayments 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	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	88.59	70.88	40.27
EBITDA	Rs. Cr.	11.02	6.20	3.84
PAT	Rs. Cr.	4.47	3.33	1.36
EBITDA Margin	(%)	12.43	8.75	9.53
PAT Margin	(%)	5.05	4.69	3.38
ROCE	(%)	27.34	31.20	31.44
Total Debt/Tangible Net Worth	Times	3.08	2.61	3.31
PBDIT/Interest	Times	2.64	3.70	2.54
Total Debt/PBDIT	Times	2.24	1.85	1.60
Gross Current Assets (Days)	Days	293	264	201

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-17.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
12-Sep-2018	Bank Guarantee	Short Term	4.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	13.00	ACUITE BBB-/ Stable (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	19.00 (Enhanced from 13.00)	ACUITE BBB-/Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	9.00 (Enhanced from 4.00)	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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