

Press Release

Univastu India Limited

May 20, 2022



Rating Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.00	-	ACUITE A4 Reaffirmed
Bank Loan Ratings	19.00	ACUITE B+ Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	33.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE B**' (read as **ACUITE B**) and reaffirmed the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 33.00 crore bank facilities of Univastu India Limited (UIL). The outlook is '**Stable**'.

Reason for revision in rating

The rating is upgraded on account of improvement in the financial risk profile and overall business performance of the Company. However, the rating is constrained on account of prevailing liquidity stress marked by high level of bank limit utilisation, slow down in project execution and elongated working capital cycle. UIL generated an operating income of Rs. 42.29 Cr in 9MFY2022 as against Rs. 51.12 Cr generated in FY2021 and Rs. 90.49 Cr in FY2020. The overall gearing improved to 1.19 times as on March 31, 2021 as against 1.28 times as on March 31, 2020. Further, the GCA days rose to 841 days as on March 31, 2021 as against 267 days as on March 31, 2020, the same are expected to moderate in FY2022.

About the Company

Univastu India Limited (UIL) is based of Pune, Maharashtra was incorporated as a private limited company in 2009. It was previously known as 'Unique Vastushilp and Projects Private Limited'. 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'. The company is listed on National Stock Exchange (NSE). UIL is ISO 9001, 14001 & OHSAS 18001 Certified Company. The company is promoted by Mr. Pradeep Khandagale and family. The company is 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

Acuité has taken a standalone view of the business and financial risk profiles of UIL for arriving at the rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

UIL has establish presence since 2009, is engaged in providing different types of civil construction work such as commercial structures, industrial buildings, bridges, water and drainage projects, dams under government and semi government entities. The company 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. Other promoters also possess over a decade experience in the said line of business.. The extensive experience of promoters has also helped the company in successfully bidding of orders and maintaining longstanding relationships with its suppliers.As on March 2022, UIL has a confirmed unexecuted order book of Rs. 124 crores and orders in pipeline worth another Rs. 124 crore which provides revenue visibility over the medium term.

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

Moderate financial risk profile

UIL's financial risk profile is moderate marked by its moderate net worth, low gearing and moderate debt protection measures. The net worth increased to Rs. 33.01 crores as on 31 March, 2021 as against Rs. 24.26 crore as on 31 March, 2020. The company's gearing stood at 1.19 times as on 31 March, 2021 as against 1.28 times in the 31 March 2020. The total debt of Rs. 39.15 crore consists of long term debt of Rs. 10.30 crore and Rs. 28.48 crore of short term debt obligations. The interest coverage ratio stood at 3.82 times in FY2021 as against 2.55 times in the previous year.

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

Elongation in working capital cycle and stretched liquidity profile

The operations of UIL are working capital intensive reflected by high Gross Current Assets (GCA days) which rose to 841 days as on March 31, 2021 as against 267 days as on March 31, 2020. The GCA days are driven by high debtor and inventory days. The debtor days stood at 470 days as on March 31, 2021 as against 42 days as on March 31, 2020. Inventory holding days also stood elongated at 339 days as on March 31, 2021 as against 200 days as on March 31, 2020. Working capital requirement is funded through bank lines, the utilisation of which remained mostly full for the last twelve months ended March, 2022.

Challenges faced by UIL in maintaining healthy liquidity profile is reflected in persistently high level of bank limit utilization and elongation of receivables. Further, The company's operations have been severely impacted due to the COVID-19 pandemic, however, the current year performance is improving at a steady pace.

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 cyclical nature 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.

Rating Sensitivities

- Elongation in working capital cycle
- Customer concentration risk
- Susceptibility to timely execution of the projects
- Sustaining existing business and financial risk profile remains key monitorable

Material covenants

None

Liquidity Position: Stretched

The company liquidity profile is stretched marked by persistently high level of bank limit utilisation and elongation in working capital cycle. The GCA days rose to 841 as on March 31, 2021 as against 267 days as on March 31, 2020. The average bank limit utilisation for its funded based facilities remained mostly full for the twelve months ended March,2021. UIL generated net cash accruals of Rs.5.24- 11.64 crores during the period FY2020-FY2021 as against debt obligations of Rs.0.75 to 1.00 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.5.00-6.50 crore during FY2022- FY2023 against repayment obligations ranging from Rs.0.60 crore to Rs.0.75 crore for the same period. The current ratio stood at 1.44 times as on 31 March, 2021.

Outlook: Stable

Acuité believes that the company will maintain 'Stable' outlook over the medium term on back of experienced management. The outlook may be revised to 'Positive' if there is a reduction in the working capital and improvement in the liquidity profile of the Company while maintaining its operating income and profitability. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics or further stretched in liquidity profile is observed.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	51.12	90.49
PAT	Rs. Cr.	9.49	4.15
PAT Margin	(%)	18.57	4.58
Total Debt/Tangible Net Worth	Times	1.19	1.28
PBDIT/Interest	Times	3.82	2.55

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Infrastructure Sector: <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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Feb 2021	Bank Guarantee	Short Term	9.00	ACUITE A4 (Downgraded from ACUITE A3)
	Cash Credit	Long Term	19.00	ACUITE B Stable (Downgraded from ACUITE BBB- Stable)
	Letter of Credit	Short Term	5.00	ACUITE A4 (Downgraded from ACUITE A3)
26 Nov 2019	Letter of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	19.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	9.00	ACUITE A3 (Reaffirmed)
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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A4 Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE B+ Stable Upgraded (from ACUITE B)
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4 Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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