

Press Release

Univastu India Limited

November 15, 2022



Rating Reaffirmed & Withdrawn

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Bank Loan Ratings	14.00	-	ACUITE A4 Reaffirmed & Withdrawn
Bank Loan Ratings	19.00	ACUITE B+ Reaffirmed & Withdrawn	-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Total Withdrawn Quantum (Rs.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

Rating Rationale

Acuite has reaffirmed & withdrawn its long - term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and reaffirmed & withdrawn its short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 33.00 crore bank facilities of Univastu India Limited (UIL).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 withdrawal is on account of client's request and receipt of NOC from the lead banker. The withdrawal is in accordance with Acuite's policy on withdrawal of rating.

Rationale for the rating

The ratings reaffirmed continue to be supported by the established track record of operations and experienced management, moderate financial risk profile and reputed clientele base. The rating is, albeit, constrained by its working capital intensive operations and intense competition and highly competitive industry and profitability susceptible to fluctuations in input cost.

About the Company

Univastu India Limited (UIL) is based in Pune, Maharashtra was incorporated as a private limited company in 2009. The company is managed by key promoter Mr. Pradeep Khandagale. 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

Acuite 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 established 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. 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 has moderate financial risk profile mainly marked by moderate net worth, gearing and debt protection matrices. The tangible net worth of the company stood low at Rs.38.24 Cr as on March 31, 2022 as against Rs.33.01 Cr as on March 31, 2021. The gearing of the company stood at 0.86 times in as on March 31, 2022 as against 1.19 as on March 31, 2021. The total debt as on March 31, 2022 consist of working capital limits from banks of Rs.32.79 Cr. Further, the interest coverage ratio stood at 2.71 times as on March 31, 2022 as against 3.82 times as on March 31, 2021. Debt service coverage ratio (DSCR) stood at 2.29 times as on March 31, 2022 as against 2.85 times as on March 31, 2021. The deterioration in the DSCR ratio is on account of decrease in net cash accruals. The debt to EBITDA of the company stood at 2.55 times as on March 31, 2022 as against 1.91 times as on March 31, 2021. However, the TOL/TNW stood to 1.89 times as on March 31, 2022 as against 2.65 times as on March 31, 2021. Acuité believes the financial risk profile of the company will be moderate backed by improving scale of operations and moderate level of debt funded capex plan.

- **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 operations**

The operations of UIL are working capital intensive reflected by high Gross Current Assets (GCA) which stood at 541 days as on March 31, 2022 as against 717 days as on March 31, 2021. The GCA days are driven by high debtor and inventory days. The debtor days stood at 173 days as on March 31, 2021 as against 470 days as on March 31, 2020. Inventory holding days also stood elongated at 422 days as on March 31, 2022 as against 339 days as on March 31, 2021. Acuité believes that the operations of the UIL. will 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 cyclicity 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.

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: Adequate

The company's liquidity is adequate marked by **adequate** generation of net cash accruals in FY2022 to its maturing debt obligations. The company has generated cash accruals in the range of Rs.5.24- 6.14 Cr during last three years ending FY2022 as against its long term debt obligations of Rs.3.5-2.43 Cr for the same period. The current ratio stood at 1.68 times as on March 31, 2022 .The company maintains unencumbered cash and bank balances of Rs.1.28 cr as on March 31, 2022. The fund based bank limits utilization of UIL is 98 percent for the past six months ending September, 2022. Acuite believes that UIL liquidity will remain adequate over the medium term backed by repayment of its debt obligations and improving accruals.

Outlook: Not applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	58.63	51.12
PAT	Rs. Cr.	5.22	9.49
PAT Margin	(%)	8.91	18.57
Total Debt/Tangible Net Worth	Times	0.86	1.19
PBDIT/Interest	Times	2.71	3.82

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of

the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria “Complexity Level Of Financial Instruments” on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 May 2022	Letter of Credit	Short Term	5.00	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	9.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	19.00	ACUITE B+ Stable (Upgraded from ACUITE B Stable)
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)

Annexure - Details of instruments rated

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

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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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