

## Press Release

### Unique Structures & Towers Limited (USTL)

30 Jan, 2020

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 117.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB-/Stable (Assigned)
<b>Short Term Rating</b>	ACUITE A3 (Assigned)

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned 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**) to the Rs.117.00 crore of bank facilities of Unique Structures & Towers Limited (USTL). The outlook is '**Stable**'.

Incorporated in 1985 by Mr. VK Bansal, the company started commercial operation from 1987 with a re-rolling mill at Chhattisgarh catering to the different power grids. In 1995, the company started galvanized steel structure fabrication unit for transmission towers. The company has been regularly supplying galvanized steel structures and towers to Power Grid Corporation of India Limited, Indian Railway, departments of telecommunication among others. USTL also ventured into EPC contract from 2006 and stop the rolled product division in 2014. Currently company is into Engineering, Procurement and Construction (EPC) for Power Grid Corporation India Ltd, Indian Railway and Department of Telecommunication among others. Currently the company is managed by Mr. Rishi Kumar Bansal, Mrs. Sonika Bansal, Mrs. Rekha Bansal and Mr. Sree Gopal Kankani.

### Analytical Approach:

Acuité has considered standalone business and financial risk profile of USTL while arriving at the rating.

### Key Rating Drivers:

#### **Strengths**

#### **Experienced management and long track record of operation**

USTL, a Chhattisgarh based company was incorporated in 1985 by Mr. VK Bansal engaged in re-rolling activities. In 1995, company started fabrication of tower and galvanized unit. Currently company is managed by Mr. Rishi Kumar Bansal, who possesses more than a decades experience in fabrication of tower and EPC business. The other directors Mrs. Sonika Bansal, Mrs. Rekha Bansal and Mr. Sree Gopal Kankani also have more than a decade experience in the industry. The long standing experience of the promoters along with the long track record of operations has enabled the company to establish comfortable relationships with their key suppliers and reputed clients.

### **Healthy financial risk profile**

The healthy financial risk profile of the company is marked by healthy net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stands healthy at Rs.32.42 crore in FY2019 as compared to Rs.30.03 crore in FY2018. This improvement in Networth is mainly due to retention of current year profit. Acuité has considered Rs.3.50 crore unsecured loan as quasi capital as the same amount is subordinated to the bank debt. The gearing of the company stands comfortable at 0.71 times as on March 31, 2019 when compared to 0.82 times as on March 31, 2018. The total debt of Rs.23.05 crore in FY2019 consists of short term loan of Rs.22.79 crore, unsecured loan from promoters of Rs.0.02 crore and long term debt of Rs.0.23 crore. Interest coverage ratio (ICR) is comfortable and stands at 1.59 times in FY2019 as against 1.57 times in FY 2018. The debt service coverage ratio also stands comfortable at 1.44 times in FY2019 as against of 1.24 times in FY2018. The net cash accrual against total debt (NCA/TD) stands moderate at 0.14 times in FY 2019 as compared to 0.10 times in previous year.

### Healthy profitability

Though the operating profitability margin of the company has declined but still stood healthy at 11.55 per cent in FY2019 as compared to 13.59 per cent in previous year. The net profitability of the company also stands healthy at 2.97 per cent in F2019 as compared to 2.48 per cent in FY2018.

### Weaknesses

#### Working capital intensive nature of operation

The working capital intensive nature of operations is marked by high gross current asset (GCA) days of 328 days in FY2019 as compared to 418 days in FY2018. The inventory days are high at 139 days in FY2019 as compared to 145 days in FY2018. The debtor days are also stands high at 114 days in FY2019 and 171 days in FY2018 respectively. Company's operations are expected to remain working capital intensive, as the company is into construction business, which leads to increase in work in progress during 31<sup>st</sup> March 2019. Company is also into manufacturing of transmission tower and supplying to Power Grid Corporation India Ltd, Indian Railway and Department of Telecommunication with higher payment terms that increases the collection period of the company during 31<sup>st</sup> March 2019.

#### Modest scale of operation

Though the company has started operation since 1985, the revenue of the company stood modest at Rs.80.46 crore in FY2019 as compared to Rs.60.74 crore in FY2018. The company has earned Rs.47.02 crore till 30th Nov 2019 (Prov.). Acuité believes the ability of the company to scale up the operations will remain a key monitorable.

#### Rating Sensitivity

- Scaling up of operations while maintaining their profitability margin.
- Working capital management

#### Material Covenant

None

#### Liquidity Position: Adequate

The company has adequate liquidity marked by modest net cash accruals of Rs.3.26 crore as against Rs.0.23 crore of yearly debt obligations. The cash accruals of the company are estimated to remain in the range of around Rs. 4.23 crore to Rs. 6.25 crore during 2020-22 against no repayment obligations. The working capital intensity of the company is marked by gross current asset days of 328 days in FY2019. The bank limit is 100 per cent utilized by the company and the company maintains unencumbered cash and bank balances of Rs. 0.12 crore as on March 31, 2019. The current ratio of the company stood at 1.37 times as on March 31, 2019. Acuité believes that the liquidity of the company is likely to remain healthy over the medium term on account of healthy cash accruals against no debt repayments over the medium term.

#### Outlook: Stable

Acuité believes USTL will maintain a stable business risk profile over the medium term. USTL will continue to benefit from its experienced management and established association with customers and suppliers. The outlook may be revised to "Positive" in case the company registers strong growth in scale of operations while registering sustained improvement in profit margins and achieving efficient working capital management. The outlook may be revised to 'Negative' in case of deterioration in the company's scale of operations and profitability or capital structure, or in case of lengthening of working capital cycle.

#### About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	80.46	60.74
PAT	Rs. Cr.	2.39	1.51
PAT Margin	(%)	2.97	2.48
Total Debt/Tangible Net Worth	Times	0.71	0.82
PBDIT/Interest	Times	1.59	1.57

#### 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-17.htm>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-4.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	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BBB-/Stable (Assigned)
Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A3 (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE BBB-/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BBB-/Stable (Assigned)
Letter of Credit*	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A3 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	44.00	ACUITE A3 (Assigned)
Letter of Credit**	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A3 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	44.00	ACUITE A3 (Assigned)

\*Continuation of one way interchangeability from LC to BG limits of Rs.2.25 crore.

\*\* Both way inter-changeability from LC to BG and Vice-Versa up to Rs.2.25 crore.

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## About Acuité Ratings & Research:

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