

## Press Release

### Unique Structures & Towers Limited

August 12, 2021

### Rating Reaffirmed & Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 117.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB-/Stable (Reaffirmed & outlook revised from Negative)
<b>Short Term Rating</b>	ACUITE A3 (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed the 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.117.00 crore bank facilities of Unique Structures & Towers Limited. The outlook is revised to '**Stable**' from '**Negative**'.

The outlook revision is driven by the overall improvement in business risk profile of the company marked by increase in their scale of operation while maintaining their profitability margin. The outlook revision is also on account of significant improvement in working capital management of the company and comfortable financial risk profile during the period.

The rating continues to reflect the extensive experience of the management in the fabrication of tower and EPC business. The rating also reflects moderate scale of operation and healthy profitability margin of the company. However, these strengths are partially offset by stretched liquidity position of the company during the period.

### About the company

Incorporated in 1985 by Mr. VK Bansal, the company started commercial operation from 1987 with a rerolling 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 (PGCIL), Indian Railway, Departments of Telecommunication (DoT) 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 (PGCIL), Indian Railway and Department of Telecommunication (DoT) 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:

Acuite has considered the 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 and is 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 decade 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.

#### Comfortable financial risk profile

The financial risk profile of the company is marked by moderate net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.34.60 crore in FY 2021 as compared to Rs 30.04 crore in FY2020. This improvement in networth is mainly due to the retention of current

year profit. Acuite has included Rs.3.51 crore of unsecured loan as part of networth as the same is subordinated to bank debt. The gearing of the company stood below unity at 0.77 times as on March 31, 2021 when compared to 0.70 times as on March 31, 2020. However, this slight increase in gearing is on account of increase in long term debt during the period. Interest coverage ratio (ICR) stood at 1.56 times in FY2021 as against 1.16 times in FY 2020. The debt service coverage ratio (DSCR) of the company stood at 1.47 times in FY2021 as compared to 1.16 times in the previous year. The net cash accruals to total debt (NCA/TD) stood moderate at 0.13 times in FY2021 as compared to 0.06 times in the previous year. Going forward, Acuite believes the financial risk profile of the company will remain comfortable on account of steady net cash accruals and no major debt funded capex plan over the near term.

### **Stable profitability margin**

The operating profitability margin of the company stood at 10.59 per cent in FY2021 as against of 10.33 per cent in the previous year. The net profitability margin of the company improved to 1.85 per cent in FY2021 as compared to 0.53 per cent in the previous year. Going forward, Acuite believes the profitability margin of the company will be sustained at healthy levels over the medium term backed by their focus on the bottom line and bid in project accordingly.

### **Weaknesses**

#### **Working capital intensive nature of operation**

The working capital intensive nature of operation is marked by high gross current asset (GCA) days of 279 days in FY2021 as compared to 418 days in the previous year. The sharp improvement in GCA days is on account of improvement in inventory holding period to 80 days in FY2021 as compared to 177 days in the previous year. The debtor days have also reduced to 147 days in FY2021 as compared to 172 days in the previous year, though they still at high levels. Further, the working capital limit has been utilized ~96 per cent for the last six months ended June 2021. Acuite believes any further elongation in working capital would be a key rating sensitivity factor.

#### **Moderate scale of operation**

The revenue of the company stood moderate at Rs.100.01 crore in FY2021 as compared to Rs.59.23 crore in FY2020. However, the company has a moderate unexecuted order book of Rs.97.70 crore as on May 2021 imparting revenue visibility over the near term.

### **Rating Sensitivity**

- Scaling up of operation while maintaining their profitability margin
- Improvement in liquidity position
- Working capital management

### **Material Covenant**

None

### **Liquidity Position: Stretched**

The company has stretched liquidity marked by moderate net cash accruals of Rs.3.41 crore as against nil long term debt obligation during FY2021. The cash accruals of the company are estimated to remain in the range of around Rs. 3.89 crore to Rs. 5.96 crore during 2022-24 as against Rs.1.11 crore in FY2023 and in FY2024 of long term debt obligations. The current ratio of the company stood comfortable at 1.58 times in FY2021. The working capital management of the company is marked by comfortable Gross Current Asset (GCA) days of 279 days in FY2021. The bank limit of the company has been ~96 per cent utilized during the last six months ended in June 2021. The company maintains unencumbered cash and bank balance of Rs.0.12 crore. Moreover, the company has availed the covid emergency fund of Rs. 6.44 crore. The said loan has to be repaid over a period of 4 years including 1 year of moratorium. The company has not availed the loan moratorium till August 2020. Acuite believes that the liquidity of the company is likely to improve over the medium term on account of healthy cash accruals against long debt repayments over the medium term.

### **Outlook: Stable**

Acuite believes that USTL will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive experience and comfortable financial risk profile. The outlook may be revised to 'Positive' if the company registers more than expected revenues while improving its profitability levels. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the expected revenue or the working capital cycle further elongates or further deterioration in liquidity position of the company.

### About the Rated Entity - Key Financials (Standalone)

	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.	100.01	59.23
PAT	Rs. Cr.	1.85	0.32
PAT Margin	(%)	1.85	0.53
Total Debt/Tangible Net Worth	Times	0.77	0.70
PBDIT/Interest	Times	1.56	1.20

### 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>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments – <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
19-May-2020	Cash Credit	Long Term	11.00	ACUITE BBB-/Negative (Reaffirmed)
	Standby Line of Credit	Short Term	2.25	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	11.00	ACUITE BBB-/Negative (Reaffirmed)
	Proposed Long Term Facility	Long Term	0.25	ACUITE BBB-/Negative (Reaffirmed)
	Letter of Credit	Short Term	2.25	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	42.60	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	2.25	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	44.00	ACUITE A3 (Reaffirmed)
30-Jan-2020	Proposed Short Term Facility	Short Term	1.40	ACUITE A3 (Assigned)
	Cash Credit	Long Term	11.00	ACUITE BBB-/Stable (Assigned)
	Standby Line of Credit	Short Term	2.25	ACUITE A3 (Assigned)
	Term Loan	Long Term	0.25	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	11.00	ACUITE BBB-/Stable (Assigned)

	Letter of Credit	Long Term	2.25	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	44.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	2.25	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	44.00	ACUITE A3 (Assigned)

**\*Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
State Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BBB-/Stable (Reaffirmed; Outlook Revised)
State Bank of India	Working Capital Demand Loan - GECL	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BBB-/Stable (Assigned)
Bank of Baroda	Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BBB-/Stable (Reaffirmed; Outlook Revised)
State Bank of India	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A3 (Reaffirmed)
State Bank of India	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	42.60	ACUITE A3 (Reaffirmed)
Bank of Baroda	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A3 (Reaffirmed)
Bank of Baroda	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	44.00	ACUITE A3 (Reaffirmed)
Not Applicable	Proposed Short Term Facility	Not Applicable	Not Applicable	Not Applicable	1.40	ACUITE A3 (Reaffirmed)

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**About Acuité Ratings & Research:**

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