

## Press Release

### Unique Structures & Towers Limited

November 10, 2022

### Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	27.43	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	89.57	-	ACUITE A3   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	117.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### 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 (USTL). The outlook is '**Stable**'.

#### Rationale for the rating

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

#### 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 discontinued 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.

#### 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 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 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 Profitability margin

The operating profitability margin of the company stood healthy at 9.87 per cent in FY2022 as compared to 10.49 per cent in FY2021. This slight deterioration in operating profitability is on account of increase in the price of the construction material during the period. Going forward, Acuité believes the profitability margin of the company will be sustained at a healthy level over the medium term backed by their selection of projects. The net profitability margin of the company stood moderate at 1.83 per cent in FY2022 as compared to 1.85 per cent in FY2021.

#### 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.32.86 crore in FY 2022 as compared to Rs.31.09 crore in FY2021. This improvement in networth is mainly due to the retention of profit during FY2022. The gearing of the company stood at 0.97 times as on March 31, 2022 when compared to 1.05 times as on March 31, 2021. Interest coverage ratio (ICR) is comfortable and stood at 1.63 times in FY2022 as against 1.56 times in FY2021. The debt service coverage ratio (DSCR) of the company also stood moderate at 1.11 times in FY2022 as compared to 1.47 times in the previous year. The net cash accruals to total debt (NCA/TD) stood healthy at 0.10 times in FY2022 and in FY2021 respectively. Going forward, Acuité believes the financial risk profile of the company will remain comfortable on account of moderate net cash accruals and no major debt funded capex plan over the near term.

### Weaknesses

#### Moderate scale of operation -

The revenue of the company stood moderate at Rs.96.68 crore in FY2022 as compared to Rs.100.10 crore in the previous year. This slight decrease in revenue is on account of decrease in work order execution during the period. Currently the company has booked Rs.24.36 crore till 30<sup>th</sup> September 2022 (Prov). Going forward, Acuité believes that the revenue levels of the company will be maintained at moderate level backed by orderbook of Rs.58.24 crore as on September 2022.

#### Working capital intensive nature of operation

The working capital management of the company is marked by high gross current asset (GCA) days of 277 days in FY2022 as compared to 279 days in the previous year. This high GCA days is on account of high debtor days of 146 days in FY2022 as compared to 147 days in the previous year. This high debtor days includes the retention money from the principles against the project executed by the company. The inventory days of the company stood moderate at 87 days in FY2022 as compared to 80 days in the previous year. Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

## Rating Sensitivities

- Scaling up of operation while maintaining their profitability margin
- Further elongation in working capital management
- Timely execution of orders

## Material covenants

None

## Liquidity Position

### Adequate

The company has adequate liquidity position marked by moderate net cash accruals of Rs.3.32 crore as against Rs.2.36 crore long term debt obligations in FY2022. The cash accruals of the company are estimated to remain in the range of around Rs. 3.62 crore to Rs. 4.39 crore during 2023-24 as against Rs.1.97 crore term debt obligations in FY2023 and in FY2024 respectively. The bank limit of the company has been 85 percent utilized during the last six months ended in September 2022. The current ratio of the company stood comfortable at 1.64 times in FY2022. The Gross Current Asset (GCA) days of the company stood high at 277 days in FY2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals against the long debt repayments over the medium term.

## Outlook: Stable

Acuité 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 deterioration in liquidity position of the company.

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	96.68	100.10
PAT	Rs. Cr.	1.77	1.85
PAT Margin	(%)	1.83	1.85
Total Debt/Tangible Net Worth	Times	0.97	1.05
PBDIT/Interest	Times	1.63	1.56

## 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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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->

### 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](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
12 Aug 2021	Cash Credit	Long Term	11.00	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	11.00	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	42.60	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	44.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	2.25	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	2.25	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Short Term	1.40	ACUITE A3 (Reaffirmed)
	Working Capital Demand Loan	Long Term	2.50	ACUITE BBB-   Stable (Assigned)
19 May 2020	Letter of Credit	Short Term	2.25	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	44.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Short Term	1.40	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	42.60	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	2.25	ACUITE A3 (Reaffirmed)
	Standby Line of Credit	Short Term	2.25	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	0.25	ACUITE BBB-   Negative (Reaffirmed)
	Cash Credit	Long Term	11.00	ACUITE BBB-   Negative (Reaffirmed)
	Cash Credit	Long Term	11.00	ACUITE BBB-   Negative (Reaffirmed)
30 Jan	Standby Line of Credit	Short Term	2.25	ACUITE A3 (Assigned)
	Cash Credit	Long Term	11.00	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	44.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	2.25	ACUITE A3 (Assigned)

2020	Term Loan	Long Term	0.25	ACUITE BBB-   Stable (Assigned)
	Letter of Credit	Short Term	2.25	ACUITE A3 (Assigned)
	Cash Credit	Long Term	11.00	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	44.00	ACUITE A3 (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	39.76	ACUITE A3   Reaffirmed
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	35.78	ACUITE A3   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.25	ACUITE A3   Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.25	ACUITE A3   Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	9.53	ACUITE A3   Reaffirmed
Bank of Baroda	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	2.51	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	2.92	ACUITE BBB-   Stable   Reaffirmed

## Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:pooja.ghosh@acuite.in">pooja.ghosh@acuite.in</a>  Abhishek Dey Senior Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:abhishek.dey@acuite.in">abhishek.dey@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.