



Press Release
V U B Engineering Private Limited
April 15, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	35.00	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	25.00	-	ACUITE A3+ Assigned
Bank Loan Ratings	80.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	150.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of **'ACUITE BBB' (read as ACUITE triple B)** and the short-term rating of **'ACUITE A3+' (read as ACUITE A three plus)** on the Rs.115.00 crore bank facilities of V U B Engineering Private Limited (VUBEPL).

Acuite has assigned the long-term rating to **'ACUITE BBB' (read as ACUITE triple B)** and the short-term rating to **'ACUITE A3+' (read as ACUITE A three plus)** on the Rs.35.00 crore bank facilities of V U B Engineering Private Limited (VUBEPL).

The outlook is **'Stable'**.

Rationale for Rating

The rating reaffirmation takes into account the stable operating and financial performance of VUBEPL marked by improvement in operating income, range bound operating margins and moderate financial risk profile. The operating income of the company recorded improvement in FY2023 as it stood at Rs. 312.15 Cr. as against Rs.197.35 Cr. in FY2022. Further, till 15th March 2024, the company has generated revenue of Rs. 315 Cr. Further, the operating margins of the company ranged between 6.86-9.04 percent for the three-year period ended FY2023. The rating also factors in the adequate liquidity and moderate financial risk profile marked by moderate networth, low gearing and moderate debt protection metrics. The rating is however constrained by the high working capital-intensive nature of operations marked by higher GCA days and customer concentration risks. Going forward, ability of the company to improve its scale of operations while maintaining its profitability margins and capital structure and maintaining an efficient working capital cycle will remain a key rating sensitivity factor.

About the Company

VUBEPL incorporated in 2005 is a Mumbai based company engaged in civil construction work. It is promoted by Mr. Pradeep N. Thakkar and Mr. Chintan P. Thakkar. It undertakes projects such as roads, dams, bridges, canals, water treatment plants, water reservoirs, M. S. Pipelines and effluent pipelines. The company is registered as a Civil Contractor (Class IA) with Maharashtra State Public Work Department (MPWD) whereby it can bid for any contract without any limit and also as Class I with various other state departments - Maharashtra

Industrial Development Corporation (MIDC), Navi Mumbai Municipal Corporation (NMMC), City and Industrial Development Corporation of Maharashtra Limited (CIDCO), Pune Municipal Corporation (PMC), Rajasthan State Water Resources Department (RWRD), and

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of VUBEPL for arriving at the rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations in the civil construction segment

VUBEPL established in 2005 is engaged in civil construction works by undertaking irrigation, water and effluent treatment plant projects for various state government authorities of Maharashtra, Rajasthan and Jharkhand. The company is promoted by Mr. Pradeep N. Thakkar (Chairman), who is a qualified civil engineer with four decades of experience in civil construction work. He is assisted by his son Mr. Chintan P. Thakkar (Managing Director) having two decades of experience and Mr. Prabhakar M. Sarkate (Executive Director) having nearly three decades of experience in civil construction work. The promoter and directors are being supported by its team of experienced professionals in managing day to day operations of VUBEPL. The extensive experience of the management has enabled VUBEPL to establish long relationships with various Government departments which has ensured a steady order flow. Acuité believes VUBEPL will continue to benefit from its experienced management and established track record of operations in the civil construction segment.

Moderate financial risk profile

Financial risk profile of VUBEPL is moderate marked by moderate networth, low gearing and moderate debt protection metrics. The networth of the company has improved to Rs.88.34 Cr. as on 31 March, 2023 as against Rs.77.89 Cr. as on 31 March, 2022 on account of moderate accretion to reserves. The gearing (debt-equity) stood at 0.72 times as on 31 March, 2023 as against 0.61 times as on 31 March, 2022. The total debt of Rs.63.47 Cr as on 31 March, 2023 consists of long term bank borrowings of Rs.8.46 Cr, unsecured loans from directors of Rs.16.24 Cr. and short term bank borrowings of Rs.38.76 Cr.

The interest coverage ratio stood at 2.08 times for FY2023 as against 2.51 times for FY2022 while the DSCR stood at 1.76 times for FY2023 as against 1.83 times for FY2022. The Net Cash Accruals to Total debt stood at 0.19 times for FY2023 as against 0.14 times for FY2022. The Total outside liabilities to Tangible net worth stood at 2.54 times for FY2023 as against 2.07 times for FY2022. The Debt to EBITDA stood at 2.14 times for FY2023 as against 2.88 times for FY2022.

Acuité believes that the financial risk profile of VUBEPL will remain moderate over the medium term due to its moderate debt levels vis-à-vis moderate tangible net worth and moderate debt protection metrics.

Stable operating performance

VUBEPL reported revenues of Rs.312.15 Cr. for FY2023 as against Rs.197.35 Cr. for FY2022. The turnover in FY2023 increased by 58% mainly because of the orders execution engaged in Civil construction works. Further, the company has unexecuted healthy order book which stood at Rs.1521 Cr. as of January 2024 and which is expected to be executed over the next 2-3 years which provides adequate revenue visibility over the medium term. These orders are acquired majorly from Maharashtra and Rajasthan. For the current year as on 15th March 2024, company has achieved revenue of Rs.315 Cr.

Further, the operating margins of the company ranged between 6.86-9.04 percent and PAT margins ranged between 2.93-3.42 percent for the three-year period ended FY2023. Going ahead, the operating margins of the company stood at 7.83 percent for 9MFY2024.

Acuité believes that VUBEPL will maintain a stable scale of operations over the medium term in view of the healthy orderbook.

Weaknesses

Working capital intensive nature of operations

The operations of VUBEPL are working capital intensive even though its Gross Current Assets (GCA) days improved and stood at 222 days for FY2023 which stood high against 265 days for FY2022. The high GCA days is on account of increased debtor days. The inventory cycle stood at 48 days for FY2023 as against 67 days for FY2022. The high inventory cycle is majorly driven by work in progress at different sites and an increase in the stock of raw materials for completing the work orders. This makes the company dependent on bank borrowings for working capital requirements. The average inventory holding period is 90 days. The average fund-based utilization for 12 months period ended December 2023 stood at ~82 percent and for non-fund-based stood at 80%. Apart from this, the company's receivable cycle, which remains elongated, stood at 113 days in FY2023 as against 84 days in FY2022. The average credit period allowed to customers is 90 days. Further, the creditors also stood improved at 223 days in FY2023 as against 265 days in FY2022.

Acuité believes that the ability of VUBEPL to improve and maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

Customers concentration risk

VUBEPL is exposed to significant customer concentration risk as it majorly works for the Government of Maharashtra and Rajasthan. Although they had made a foray into undertaking project for Government of Jharkhand in the year FY2022 and FY2023. This makes the company highly dependent on three clients for its revenue. VUBEPL is susceptible to any volatility in financial and operational performance of its clients. Any adverse impact in performance or lower order flow from these clients is likely to have an adverse impact on the operating and financial risk profile of the company.

Risk associated with tender based nature of order

The revenues of VUBEPL are generated through tender based orders floated by the state government departments with the increasing competition in the industry.

Rating Sensitivities

Ability to improve scale of operations while maintaining profitability margins and capital structure

Ability to improve and maintain an efficient working capital cycle

Liquidity Position

Adequate

VUBEPL has adequate liquidity position marked by sufficient net cash accruals (NCA) to its maturing debt obligations. The company generated cash accruals in the range of Rs.6-12 Cr. during FY2021 to FY2023 against its repayment obligation in the range of Rs.1-2 Cr during the same period. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.16-30 crores against the maturing repayment obligations of around Rs.1.57-2.44 crore over the medium term. The working capital operations of the company are intensive marked by its gross current asset (GCA) days of 222 days for FY2023 as against 265 days for FY2022 on account of increase in the debtor days during the same period. The average fund-based utilization for 12 months period ended December 2023 stood at ~82 percent and for non-fund-based stood at 80%. The current ratio stands at 1.27 times as on 31 March 2023. The company has maintained cash & bank balance of Rs.5 Cr in FY2023.

Acuité believes that the liquidity of VUBEPL is likely to remain adequate over the medium term on account of sufficient cash accruals against its maturing debt obligations.

Outlook: Stable

Acuité believes that VUBEPL will maintain 'Stable' outlook over the medium term on account of its experienced management, established track record of operations and healthy order book. The outlook may be revised to 'Positive' in case of significant and sustained growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue or deterioration in the financial and liquidity profile most

likely as a result of higher than envisaged working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	312.15	197.35
PAT	Rs. Cr.	10.69	5.79
PAT Margin	(%)	3.42	2.93
Total Debt/Tangible Net Worth	Times	0.72	0.61
PBDIT/Interest	Times	2.08	2.51

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

Not Applicable

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
31 Mar 2023	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	35.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)
09 Mar 2022	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3+ (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	10.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	35.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3+ (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	15.00	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
Indian Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A3+ Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE A3+ Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A3+ Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A3+ Assigned
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A3+ Assigned
Bank of Maharashtra	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB Stable Assigned
Bank of Maharashtra	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB Stable Assigned
Bank of Maharashtra	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A3+ Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A3+ Reaffirmed
Indian Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A3+ 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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