

## Press Release

### UNIQUE STRUCTURES AND TOWERS LIMITED

February 01, 2024

#### Rating Downgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Loan Ratings	27.43	ACUITE BB+   Stable   Downgraded	-
Bank Loan Ratings	89.57	-	ACUITE A4+   Downgraded
Total Outstanding Quantum (Rs. Cr)	117.00	-	-

#### Rating Rationale

Acuite has downgraded the long-term rating to 'ACUITE BB+' (read as ACUITE double B plus) from 'ACUITE BBB-' (read as ACUITE triple B minus) and the short-term rating to 'ACUITE A4+' (read as ACUITE A four plus) from '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 downgrade

The rating downgrade reflects decline in revenues of the Company in last 2 years ending FY2023. The company has witness a continuous decline in revenue to Rs. 53.66 Cr in FY2023 as compared to revenues of Rs. 96.68 Cr in FY2022 and Rs. 100.10 Cr in FY 2021. The decline is attributed to factors such as lesser work orders, withholding/cancellation of orders/tenders by PSUs, and delays in the inspection of completed material by existing customers during FY 2022-23. The rating is further constrained by the intensive working capital requirement as reflected by high Gross Current Asset (GCA) days.

However, these strengths are partially offset by the well-established customer base, including government. The rating also factors in the healthy order book of the Company which stood at Rs. 100.47 Cr. as on 31<sup>st</sup> December, 2023. The rating also draws comfort from management's extensive experience and moderate financial position, characterized by a moderate net worth base and comfortable gearing.

#### About the Company

Unique Structures & Towers Limited (USTL) was incorporated in 1985 by Mr. V.K. Bansal at Chhattisgarh. 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. 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. The directors of the company are Mr. Ajay Kumar, Mr. Rishi Kumar Bansal, Mrs. Sonika Bansal, Mr. Shree Gopal Kankani and Mr. Sujitkumar Laxminarayan Sharma.

#### Unsupported Rating

None

#### 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

Established in 1985 by Mr. VK Bansal, USTL, a Chhattisgarh-based company, is engaged into tower fabrication and galvanized steel structures. Currently led by Mr. Rishi Kumar Bansal, the company's management boasts more than two decade of experience in tower fabrication and EPC business. Other directors, Mr. Ajay Kumar, Mrs. Sonika Bansal, Mr. Shree Gopal Kankani and Mr. Sujitkumar Laxminarayan Sharma, also bring extensive industry experience. The promoters' enduring expertise and the company's longstanding operational success have fostered strong relationships with key suppliers and esteemed clients.

The operating margin of the company increased to 15.99 per cent in FY2023 as compared to 9.87 per cent in FY2022. This significant increase in operating margin is on account of decrease in raw material cost and other expenses. Acuité believes that the profitability margin of the company will remain at same level backed by in-built price escalation clause that provides cushion for covering the increased input cost. This helps the company from any large variation in the raw material prices, thus protecting the operating margins to a certain extent.

Further, the PAT margin of the company also increased to 2.05 per cent in FY2023 as compared to 1.83 per cent in FY2022. The ROCE levels stood at 11.34 % in FY2023.

The company has reputed clientele, leading to low counter party risk since entire revenue is generated from the various State & Central government departments. Acuite believes that the business risk profile of the Company will continue to benefit from the extensive experience of its management and long track record of operations over the medium term.

- Moderate financial risk profile albeit modest debt protection metrics

The financial risk profile of the company is moderate marked by moderate net worth, comfortable gearing and modest debt protection metrics. The adjusted tangible net worth of the company stood at Rs.38.47 Cr as on March 31, 2023 as compared to Rs.36.36 Cr.as on March 31, 2022. This improvement in networth is mainly due to the retention of current year profits in reserves. Acuité has considered unsecured loans of Rs.4.51 Cr as on March 31, 2023, as quasi-equity as the management has subordinated the amount against the bank loans. The adjusted gearing of the company stood comfortable at 0.73 times as on March 31, 2023. The adjusted Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.27 times as on March 31, 2023. The adjusted debt protection metrics of the company stood modest marked by Interest coverage ratio (ICR) of 1.48 times and debt service coverage ratio (DSCR) of 1.07 times for FY2023. The adjusted net cash accruals to total debt (NCA/TD) stood at 0.09 times in FY2023.

Going forward, Acuité believes the financial risk profile of the company will remain moderate on account of steady net cash accruals owing to stable profitability margins with no major debt funded capex plan over the near term.

### Weaknesses

- Decline in scale of operations although expected to improve

The company has witness a continuous decline in revenue of Rs. 53.66 Cr in FY2023 as compared to revenues of Rs. 96.68 Cr in FY2022 and Rs. 100.10 Cr in FY 2021. The decline is attributed to factors such as lesser work orders, the withholding/cancellation of orders/tenders by PSUs, and delays in the inspection of completed material by existing customers during FY 2022-23. Currently, USTL has an unexecuted order book position of Rs.100.47 Cr as on 31st December 2024 which will be executed in 17-18 months. Further, the company has already achieved revenue of around Rs.53.00 Cr. till Dec'23 (Provisional). Going forward, Acuite believes that the revenue of the company will improve backed by moderate order book position, which imparts revenue visibility over to medium term.

- Working capital intensive nature of operations

The working capital operations of the company is intensive marked by high gross current asset (GCA) days of 472 days for FY2023 as compared to 277 days for FY2022. The GCA days are primarily on account of high receivable days and high inventory holding. The debtor days of the company stood at 223 days in FY2023 as against 146 days in FY 2022. Further, the inventory days stood at 185 days in FY2023 as compared to 87 days in FY2022. Against this, the company has substantial dependence on its suppliers to support the working capital; creditors stood at 174 days as on March 31, 2023.

Acuité believes that the working capital operations of the company will remain at the similar levels over the medium term.

#### **Rating Sensitivities**

- Sustainability of revenue along with improvement in profitability margins
- Working capital cycle

#### **Liquidity Position**

##### **Adequate**

The company has adequate liquidity marked by net cash accruals of Rs. 2.56 Cr. as on March 31, 2023 as against Rs. 1.97 Cr long term debt obligations over the same period. The cash and bank balance stood at Rs. 0.20 Cr for FY 2023. The current ratio of the company stood comfortable at 1.92 times in FY2023. However, the bank limit of the company has been ~89.50 percent utilized for the last six months ended in December 2023. Further, the working capital operations of the company is intensive marked by high gross current asset (GCA) days of 472 days for FY2023 as compared to 277 days for 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 term debt repayments and absence of any major debt funded capex plans 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	53.66	96.68
PAT	Rs. Cr.	1.10	1.77
PAT Margin	(%)	2.05	1.83
Total Debt/Tangible Net Worth	Times	0.73	0.78
PBDIT/Interest	Times	1.48	1.63

### 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>
- 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-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
10 Nov 2022	Proposed Bank Facility	Short Term	9.53	ACUITE A3 (Reaffirmed)
	Working Capital Demand Loan	Long Term	2.51	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	11.00	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	35.78	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	39.76	ACUITE A3 (Reaffirmed)
	Working Capital Demand Loan	Long Term	2.92	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	11.00	ACUITE BBB-   Stable (Reaffirmed)
	Letter of Credit	Short Term	2.25	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	2.25	ACUITE A3 (Reaffirmed)
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)

## 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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	39.76	ACUITE A4+   Downgraded
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.78	ACUITE A4+   Downgraded
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.00	ACUITE BB+   Stable   Downgraded
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.00	ACUITE BB+   Stable   Downgraded
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.25	ACUITE A4+   Downgraded
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.25	ACUITE A4+   Downgraded
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.53	ACUITE A4+   Downgraded
Bank of Baroda	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2026	Simple	2.51	ACUITE BB+   Stable   Downgraded
State Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2026	Simple	2.92	ACUITE BB+   Stable   Downgraded

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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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