



Press Release

Udit Infraworld Private Limited (UIPL)

July 03rd, 2020

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1.	Long Term Bank Facility – Cash Credit	4.50	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)
2.	Short Term Bank Facility – Bank Guarantee	32.00	IVR A3+ (IVR Single A Three Plus)
3.	Long Term Proposed Facility – Proposed Cash Credit	15.50	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)
4.	Short Term Proposed Facility – Proposed Bank Guarantee	23.00	IVR A3+ (IVR Single A Three Plus)
	Total	75.00	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from established track record of operations and reputed clientele, Healthy operational & financial risk profile backed by moderate order book position and comfortable liquidity supported by prudent working capital management. However, the rating strengths are partially offset by competitive & fragmented industry and project implementation & execution risk.

Key Rating Sensitivities:

- **Upward Factor**
 - Substantial improvement in scale of operations while maintaining the profitability margins and the debt protection parameters.
- **Downward Factor**
 - Significant delays in project execution leading to decline in the revenue and/or profitability.
 - Significant deterioration in debt protection parameters



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Key Rating Drivers with detailed description

Key Rating Strengths

- ***Established track record of operations and reputed clientele:***

Mr. Abhay Mishra and Mr. Umakant Sharma are actively involved in the day to day operations of the company and have an experience of over two decades in the EPC division. The directors are well supported along with other professional team. With the promoter's extensive industry experience and timely execution of projects, the company has been able to establish long-standing relationship with various government entities, such as Public Works Department - Bhopal (PWD - Bhopal) and other departments like Irrigation department of Madhya Pradesh, MPRDC, MPRRDA, NHAI, etc.

- ***Healthy operational & financial risk profile backed by moderate order book position:***

UIPL's financial risk profile is healthy, marked by a healthy net worth, gearing and debt protection metrics. The operating income grew by almost 50% to INR190.31 Crore in FY20 (Provisional) from INR126.62 Crore in FY19 backed by healthy project execution. While its operating margins (of around 15.04% in FY20 – Provisional & 16.25% in FY19) has resulted in healthy accretion to reserves thereby strengthening net worth. Its net worth rose to INR53.88 Crore as on March 31st, 2020 (Provisional) as against INR41.51 Crore as on March 31st, 2019. The profitability margins are expected to be range bound to the existing margins supported by moderate order book position and strong execution capabilities.

The company follows a conservative debt policy, which is reflected by its peak gearing of 0.45x in the last three years. The overall gearing levels improved to 0.29x as on March 31st, 2020 (Provisional) as against 0.45x as on March 31st, 2019.

The Interest coverage (ICR) stood at 6.27x in FY20 (Provisional) when compared to 5.27x in FY19. Total Debt/EBITDA stood at 0.54x as on March 31st, 2020 (Provisional) as against 0.91x as on March 31st, 2019.

As of April 30th, 2020 the unexecuted order book position stood at INR340.45 Crore and the same is expected to be executed in the next 20-24 months which provides a certain revenue visibility for the short-medium term of its operations. The orders in hand include nine different



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projects. UIPL is equipped with strong assets base in the form of plant and machinery to support the growth.

- ***Comfortable liquidity supported by prudent working capital management:***

The current ratio & quick ratio of the company remains comfortable as on March 31, 2020. The company's cash flow from operation also remains adequate. The liquidity of the company expected to remain adequate in the near to medium term in view of sufficient cash accruals in comparison to debt repayment. Owing to the established relations with its clients, the company has been able to maintain an efficient working management cycle. The collection period improved to 15 days in FY20 (Provisional) as compared to 36 days in FY19. The average utilisation of its working capital limits remained comfortable at around 59.35% for the last 12 months ended May 2020.

Key Rating Weaknesses

- ***Competitive and fragmented industry:***

UIPL is engaged as an EPC contractor. The company faces intense competition from the presence of several mid to large sized players in the said industry. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of concern as the same can dent the margin. The risk becomes more pronounced on susceptibility of inherent cyclicalities in the road sector.

- ***Project implementation & execution risk:***

Given the recent partial/full lockdown situation due to the COVID-19, EPC contractors shall face challenges in arranging transport and accommodation for labour, maintaining social distancing at construction sites, obtaining clearances from district officials for intra and inter district projects and ensuring raw material availability. However, the particular risk is mitigated to a certain extent as UIPL's current work sites are away from the metro cities and there is decent availability of labour for the same.

Analytical Approach & Applicable Criteria:

Standalone Approach

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)



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Liquidity: Adequate

UIPL's liquidity is adequate marked by healthy gross cash accruals to its maturing debt obligations. The company's average utilisation of its working capital limits stood at 59.35% for the last 12 months, ended May 2020. The company's cash and bank balances (including margin money) stood at INR23.33 Crore as on March 31st, 2020. The liquidity is likely to be adequate for the short-medium term given the healthy cash accruals to its debt obligations.

About the Company

Incorporated as 'Abhay Contractors Private Limited' in the year 2003, it was reconstituted into a private limited company as Udit Infracore Private Limited in 2009. Currently it is engaged in construction, repairs and maintenance of roads and bridges in Madhya Pradesh. The company specializes in State & National Highways, City Roads, Transport Corridors, Culverts and Bridges. Apart from UIPL, the promoters have extended presence in the similar industry via 7 SPVs which are into execution/OMT (Operate-Maintain-Transfer) of different road projects.

Financials:

	(INR Crore)		
For the year ended/ As On*	31-03-2018 (Audited)	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	148.00	126.62	190.31
EBITDA	18.54	20.57	28.63
PAT	7.22	7.56	12.37
Total Debt	13.16	18.66	15.50
Tangible Net-worth	34.14	41.51	53.88
EBITDA Margin (%)	12.53	16.25	15.04
PAT Margin (%)	4.88	5.97	6.50
Overall Gearing Ratio (x)	0.39	0.45	0.29

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: CRISIL has moved the rating of Udit Infracore Private Limited into the Issuer Non-Cooperating category as per the Press Release dated June 27th, 2019.



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Any other information: N.A

Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Bank Facility – Cash Credit	Long Term	4.50	IVR BBB/Stable	--	--	--
2.	Short Term Bank Facility – Bank Guarantee	Short Term	32.00	IVR A3+	--	--	--
3.	Long Term Proposed Facility – Proposed Cash Credit	Long Term	15.50	IVR BBB/Stable	--	--	--
4.	Short Term Proposed Facility – Proposed Bank Guarantee	Short Term	23.00	IVR A3+	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Cash Credit	NA	NA	NA	4.50	IVR BBB/Stable
Short Term Bank Facility – Bank Guarantee	NA	NA	NA	32.00	IVR A3+
Long Term Proposed Facility – Proposed Cash Credit	NA	NA	NA	15.50	IVR BBB/Stable
Short Term Proposed Facility – Proposed Bank Guarantee	NA	NA	NA	23.00	IVR A3+