Ubitech Private Limited

May 17, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Rating	Previous Rating	Rating Action	Complexity of rating
Long Term Bank Facilities	25.00 (Enhanced from Rs.20.32 Crore)	IVR BBB-/Stable Outlook (IVR Triple B minus with stable Outlook)	IVR BBB-/Stable Outlook (IVR Triple B minus with stable Outlook)	Reaffirmed/Assigned	Simple
Short Term Bank Facilities	105.00 (Enhanced from Rs.70.00 Crore)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Reaffirmed/Assigned	Simple
Total	**130.00**	**Rupees One hundred Thirty Crore Only**			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed/assigned long-term rating of IVR BBB- with a stable outlook and short-term rating of IVR A3 for the bank loan facilities of Ubitech Private Limited (UPL).

The rating draws comfort from the established management and presence in the Industry, diversified end user industry base, moderate capital structure and debt coverage indicators along with healthy book order position. However, these strengths are partially offset by exposure to client and geographical concentration risk, tender driven nature of business and risk associated with volatility in the raw material.

IVR has principally relied on the standalone audited financial results of UPL up to 31 March 2023 and projected financials for FY24, FY25 and FY26, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any further significant rise in working capital intensity or unplanned capex leading to any deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Management and Established presence in the industry:

Mr. Om Prakash Pandey and Mr. Raaj Pandey are the Directors of the company and manage day to day operations. Mr. O P Pandey and his son, Mr. Raaj Pandey, are in supervisory role while a team of highly qualified professionals are leading all functional areas. Each department personnel are reporting to HOD. Both promoters are engineers and have good command over business as well on technical aspects and promoters are having an extensive experience of around three decades in the industry which has enabled them to understand the complexity of the business and helped building relationships with customers and suppliers.

Diversified end user industry base:
UPL caters to a diversified end user industry base which includes electrification projects on EPC mode for government bodies and Discoms and manufacturing of sheet metal components, machine, machine parts & spares to be mainly use in automotive sector. This allows it to overcome the risk of slowdown in a particular industry and maintain revenue growth.

Moderate capital structure and debt coverage indicators:
Overall gearing of the company has remained at 0.18x as on March 31, 2023, compared to 0.24x as on March 31, 2022, due to accretion of profits to reserves. TOL/TNW of the company has marginally declined to 0.64x as on March 31, 2023, compared to 0.52x on March 31, 2022. ICR of the company has moderately increased to 7.56x for FY2023 compared to 7.25x in FY2022 due to increase in absolute EBITDA. DSCR of the company is comfortable at 4.82x for FY 2023.

Healthy Book order position:

UPL's current unexecuted EPC book order stands at approximately Rs. 421 crore, which is a substantial amount compared to the FY 24 and FY 23 EPC revenues. This indicates a strong and diversified order book position. Furthermore, the orders come from different states which helps protect revenue from potential political or social disruptions in any one location. Because of track record to delivery of projects in timely manner, the company is able to get repetitive orders from the discoms.

Key Rating Weaknesses

Exposure to client and geographical concentration risk:

UPL's two clients namely Ashok Leyland Limited and Jharkhand Bijli Vitran Nigam Limited contributed 79.83% of the total sales of the company in FY2023 which gives rise to client concentration risks. However, it has healthy share of business in certain products manufactured for these clients and long-term relationship mitigates the concentration risk to an extent.

Tender driven nature of business; intense competition, and highly fragmented industry:

Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the company's ability to successfully bid for the tenders floated by government bodies and Discoms which limits the pricing flexibility. The industry is highly fragmented, with several players bidding for the similar products and services. This limits the company's ability to improve operating margins.

Risk associated with volatility in the raw material:

The degree of backward integration defines the ability of the group to withstand cyclical downturns generally witnessed in the steel industry. The major raw material used in the production is cold rolled coils and hot rolled coils. The company does not have any long-term agreement for procurement of cold rolled coils and hot rolled coils, thus exposing the company to the volatility associated with the raw material price. Further, finished product prices are also highly volatile and prone to fluctuations based on local demand supply situations and other macro-economic factors.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria for Assigning Rating Outlook

Liquidity – Adequate

The company has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company's liquidity position is adequate, supported by cash and bank balances of Rs. 12.61 crore as on March 31, 2023. The Company generated net cash accruals of Rs. 16.88 crore for FY2023 while its maturing debt obligations were Rs. 1.03 crore for the same period. The cash accruals of the Company are estimated to remain in the range of around Rs. 15.38 Crore to Rs. 31.43 Crore against its maturing debt obligations of around Rs.0.70 Crore to Rs. 1.04 Crore during FY 2024-26. The average maximum fund based limit utilisation for the last 12 months ended January 2023 stood at 67.87%. The adjusted current ratio stood at 1.86x as on March 31st, 2023.

About the Company

UPL was incorporated in 1983 by Mr. O P Pandey at Faridabad (Haryana). The company is a government-approved electrical-safety-authority grade contractor, and undertakes turnkey contracts for complete electrification, setting-up of substations, and providing industrial lighting and lighting solutions for buildings. The company also started a sheet-metal components manufacturing unit in 2007 at Chennai (Tamil Nadu). Then in October 2018, UPL also ventured into manufacturing of power press machines at Faridabad and in 2021, established a sheet-metal components manufacturing unit in Pune. With this, UPL is one of the entities across India that is having presence in South India (Karnataka, Tamil Nadu), North India (Haryana, J&K, Rajasthan), West India (Maharashtra); East India (Jharkhand) & Central India (Madhya Pradesh)

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	145.72	262.99
EBITDA	20.30	23.60
PAT	9.03	11.27
Total Debt	10.99	13.99
Tangible Net worth*	72.60	78.02
EBITDA Margin (%)	13.93	8.97
PAT Margin (%)	6.18	4.28
Overall Gearing Ratio (x)	0.15	0.18

**As per Infomerics standards*

Status of non-cooperation with previous CRA:

- Brickwork vide press release date February 21, 2024 put the entity under issuer not cooperative category due to non-submission of required information.
- Acuite vide press release date September 27, 2023 put the entity under issuer not cooperative category due to non-submission of required information.

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Cash Credit	Long Term	25.00	IVR BBB- with Stable Outlook (IVR Triple B Minus with Stable Outlook)	-	IVR BBB- with Stable Outlook (IVR Triple B Minus with Stable Outlook)	-
2	Bank Guarantee	Short Term	105.00*	IVR A3 (IVR A Three)	-	IVR A3 (IVR A Three)	-

***** *Letter of credit of Rs.8.00 crore is a sub-limit of Rs.105.00 crore from Indian Bank.*

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI). Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks. Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and 6 representatives in several locations. Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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 Facilities – Cash Credit	-	-	-	25.00	IVR BBB- with Stable Outlook (IVR Triple B Minus with Stable Outlook)
Short term Bank Facilities – BG	-	-	-	105.00*	IVR A3 (IVR A Three)

***** *Letter of credit of Rs.8.00 crore is a sub-limit of Rs.105.00 crore from Indian Bank.*

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-Ubitech-may24.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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