



Press Release

Ubitech Private Limited

March 20, 2023

Ratings

Instrument Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	20.32*	IVR BBB- with Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	70.00**	IVR A3 (IVR A Three)	Assigned	Simple
Total	90.32	(Rupees Ninety Crore and Thirty-Two Lakhs only)		

*Includes Proposed Limits-Rs.6.00 Crore

**Includes Proposed Limits-Rs.20.00 Crore

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has 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 established presence in the Industry, Moderate scale of operations and comfortable profitability margins, Diversified end user industry base along with moderate capital structure and debt coverage indicators. However, these strengths are partially offset by exposure to client and geographical concentration risk, tender driven nature of business, intense competition, and highly fragmented industry 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 2022, 9MFY2023 provisional results and projected financials for FY2023, FY2024 and FY2025, 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



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- 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 in 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.

Moderate Scale of operations and comfortable profitability margins:

The operating income of the company has declined by -4.15% in FY2022 compared with the previous fiscal year. However, expected to increase by 71.38% in FY2023. TOI of the company remained moderate at Rs. 145.72 crore in FY2022 compared to Rs. 151.96 crore in FY2021 owing to mandatory inspection formalities by the government department before releasing the payment. Profitability ratios of the company also remained moderate for FY2022 marked by EBITDA margin of 13.93% and PAT margin of 6.18% as against 13.65% and 6.36% respectively in FY2021. The GCA of the company has stood at Rs.14.34 crore as on March 31st 2022.

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:



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Overall gearing of the company has remained at 0.15x as on March 31, 2022, compared to 0.25x as on March 31, 2021, due to accretion of profits to reserves and decline in overall debt. Similarly, TOL/TNW of the company has improved to 0.49x as on March 31, 2022, compared to 0.90x on March 31, 2021. ICR of the company has declined to 7.52x for FY2022 compared to 8.05x in FY2021 due to increase in interest cost and increase in EBITDA. DSCR of the company is comfortable at 4.83x for FY2022. Total Debt/GCA of the company has improved to 0.77x for FY2022 compared to 1.04x in FY2021.

A. 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 66.89% of the total sales of the company in FY2022 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. The company is primarily actively working on projects in the state of Jharkhand and thus is exposed to high geographical concentration risk.

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. The company procures most of the coils from MSI, Thirupathy Steels and Ashok Leyland Limited, 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.

Cyclical nature of automobile industry:

The auto industry is inherently vulnerable to the economic cycles and is highly sensitive to the movement in interest rates and fuel prices. A hike in interest rate, increases the costs



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associated with the purchase leading to purchase deferral. Fuel prices have a direct impact on the running costs of the vehicle and any hike in the same would lead to reduced disposable income of the consumers, influencing the purchase decision. The company thus faces significant risks associated with the dynamics of the auto industry.

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. 8.36 crore as on March 31, 2022. The Company generated net cash accruals of Rs. 14.34 crore for FY2022 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. 23.27 Crore to Rs. 29.32 Crore during FY 2023-25. The average Maximum fund-based limit Utilisation for the last 12 months ended January 2023 stood at 83.40%. The adjusted current ratio stood at 2.06x as on March 31st, 2022.

About the Company

UPL was incorporated in 1983 by Mr. O P Pandey in 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 very entity 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	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	151.96	145.72



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For the year ended* As on	31-03-2021	31-03-2022
EBITDA	20.74	20.30
PAT	9.70	9.03
Total Debt	15.33	10.99
Tangible Net worth*	60.42	72.60
EBITDA Margin (%)	13.65	13.93
PAT Margin (%)	6.36	6.18
Overall Gearing Ratio (x)	0.25	0.15

*as per Infomerics standards

Status of non-cooperation with previous CRA : Brickwork vide press release date November 24, 2022 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 2022-23)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1	Term Loan	Long Term	2.32	IVR BBB- with Stable Outlook (IVR Triple B Minus with Stable Outlook)	-	-	-
2	Cash Credit	Long Term	12.00	IVR BBB- with Stable Outlook (IVR Triple B Minus with Stable Outlook)			
3	Cash Credit (Proposed)	Long Term	6.00	IVR BBB- with Stable Outlook (IVR Triple B Minus with Stable Outlook)			
4	Bank Guarantee	Short Term	15.00*	IVR A3 (IVR A Three)			
5	Bank Guarantee	Short Term	35.00**	IVR A3 (IVR A Three)			
6	BG/LC (Proposed)	Short Term	20.00	IVR A3 (IVR A Three)			

*Letter of credit of Rs.5.00 crore is a sub-limit of Rs.15.00 crore from Bank of India.



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**** Letter of credit of Rs.3.00 crore is a sub-limit of Rs.35.00 crore from Indian Bank.**

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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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 – Term Loan	-	-	March 2025	2.32	IVR BBB- with Stable Outlook (IVR Triple B Minus with Stable Outlook)



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Long term Bank Facilities – Cash Credit	-	-	-	12.00	IVR BBB- with Stable Outlook (IVR Triple B Minus with Stable Outlook)
Long term Bank Facilities – Cash Credit (Proposed)	-	-	-	6.00	IVR BBB- with Stable Outlook (IVR Triple B Minus with Stable Outlook)
Short term Bank Facilities – BG	-	-	-	15.00*	IVR A3 (IVR A Three)
Short term Bank Facilities – BG	-	-	-	35.00**	IVR A3 (IVR A Three)
Short term Bank Facilities – BG/LC (Proposed)	-	-	-	20.00	IVR A3 (IVR A Three)

*Letter of credit of Rs.5.00 crore is a sub-limit of Rs.15.00 crore from Bank of India.

** Letter of credit of Rs.3.00 crore is a sub-limit of Rs.35.00 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-mar23.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