



Press Release

Unique Construction

December 15, 2020

Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long term - Bank Facilities	27.00*	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
Short Term - Bank Facilities	93.00**	IVR A3 (IVR A Three)	Assigned
Total	120.00		

* Includes proposed limit of Rs.17.00 Cr.

** Includes proposed limit of Rs.61.00 Cr.

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the long term & short term facilities of Unique Construction (UC) derives comfort from its experienced promoters and management team with established track record of operations. The ratings also factor its healthy order book position indicating revenue visibility for short to medium term and Comfortable capital structure with healthy debt protection metrics. These rating strengths are partially offset by its volatility in raw material prices, exposure to intense competition, and tender driven nature of business in highly fragmented & competitive sector.

Key Rating Sensitivities

Upward revision factors:

- Growth in scale of operations with improvement in profitability, and cash on a sustained basis.
- Manage working capital requirements efficiently with improvement in liquidity position and gearing.

Downward revision factors:

- Moderation in scale of operations or profitability impacting the liquidity profile
- Moderation in the capital structure with deterioration in overall gearing to more than 1.5x.
- Any withdrawal of unsecured loans from the business.



Press Release

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and management team with established track record of operations:

The partners of the company are qualified and have extensive experience of over two decades in the infrastructure industry. Such a long stint in the industry provides them with a competitive edge in establishing strong relationships with suppliers and customers. The company was formed in 2011 and has sailed smoothly through business cycles. Moreover, UC is managed by qualified professionals having the requisite technical knowledge and skills thereby providing synergistic advantage to the company in terms of successful project execution and commissioning.

Healthy though concentrated order book position:

The company has healthy unexecuted order book position of ~Rs.237.00 Cr existing Order Book and L1 in the total work value of ~Rs.170 Cr as on October 31, 2020, thereby, giving medium to long term revenue visibility. However, the same is concentrated towards contracts from Public Works Department, NHAI, ULBs and different Development Department. Going forward, materialization of the already bided contracts and win of new contracts will be crucial for the company.

Comfortable capital structure with healthy debt protection metrics:

The overall gearing of the company stood comfortable at 0.42x as on March 31, 2020, which provides additional financial flexibility in the company. Furthermore, the promoters of the company has also introduced above Rs.30.92 in the form of unsecured in the business. The debt protection indicators of the company like interest coverage have strong at 12.01x in FY20 (2.56x in FY19) and DSCR at above 6.23 times in FY20. Further, total indebtedness of the company as reflected by TOL/ATNW remained comfortable at 1.25x as on March 31, 2020.

Key Rating Weaknesses

Susceptibility of profitability to volatile input prices



Press Release

UC undertakes projects primarily under engineering, procurement and construction basis (EPC) and are active within the Roads and bridges projects. So the major inputs required by the company slurry, concrete, Cements etc. However, some of the contracts (70-80% of the total contracts) executed by the company contain escalation clause but the same is not sufficient to guard against volatile input material price. This apart, it does not enter into any agreement with contractees to safeguard its margins against any increase in labour prices and being present in a highly labour intensive industry, it remains susceptible to the same.

Tender driven nature of business in highly fragmented & competitive construction sector

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 as entire business is tender based. The domestic infrastructure/construction sector is highly fragmented marked by presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output. UC faces direct competition from various organized and unorganized players in the market.

Revenue concentration risk in order book

Geographic and segment concentration risks persist, because, major operations have been restricted to Gujarat, and nearby regional market.

Inherent risk as an EPC contractor

Economic vulnerability and regulatory risks in developing markets, delay in payments from the Government, project execution risk and fluctuating input costs are the key business risk faced by the company in the sector.

Analytical Approach: Standalone

Applicable Criteria:

Rating methodology for manufacturing Companies

Financial ratios and Interpretation (Non-Financial Sector)



Press Release

Liquidity: Adequate

The liquidity profile of UC is expected to remain adequate marked by its expected satisfactory cash accrual in the range of ~Rs.6.07-7.31 crore as against a minimal debt repayment obligation of ~Rs.0.20 Cr up to FY22. Moreover, the company has a healthy current ratio at above 2.8 times as on March 31, 2020. The average working capital utilisation of the company remained high at ~97% during the past 12 months ended September, 2020 indicating limited liquidity buffer. However, the company has adequate gearing headroom for additional debt with an overall gearing of 0.42x as on March 31, 2020. Further, the company has no planned capex or availment of long-term debt plan which imparts comfort. Going forward, in case of substantial increase in revenue, enhancement in bank lines remains critical to efficiently manage liquidity.

About the Company

Unique Construction (UC) was established in 2001 as a partnership firm by Mr. Paresh Patel, and their families and its registered office is located at Surat, Gujarat. UC is an AA class approved government contractor that undertakes government, semi-government, and sub-contract projects related to construction of roads, bridges, pumping stations and laying down drainage lines in Gujarat and nearby regional market.

Financials (Standalone Basis)

For the year ended* / As On	(Rs. crore)	
	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	125.15	121.87
EBITDA	12.31	9.61
PAT (Adj.)	5.28	4.35
Total Debt	31.59	32.85
Tangible Networth (Adjusted)	70.79	77.60
EBITDA Margin (%)	10.27	7.88
PAT Margin (%)	4.00	3.51
Overall Gearing Ratio (x)	0.52	0.42

* Classification as per Infomerics Standards.

Status of non-cooperation with previous CRA: CRISIL has migrated the rating of Unique construction into "Issuer Not Cooperating" category on March 31, 2020, due to non-availability of adequate information to carry review process.



Press Release

Any other information: N.A

Rating History for last three years:

S. 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.	Fund Based Bank Facilities	Long Term	27.00	IVR BBB-/Stable Outlook	-	-	-
2.	Non-Fund Based Bank Facilities	Short Term	93.00	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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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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Press Release

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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	-	-	Revolving	27.00*	IVR BBB-/Stable Outlook
Short Term Bank Facilities –Bank Guarantee	-	-	-	93.00**	IVR A3

* Includes proposed limit of Rs.17.00 Cr.

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