

United Rubbers Industries India Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	16.50*	SMERA BBB-/Stable (Assigned)
Term Loan	3.75	SMERA BBB-/Stable (Assigned)
Letter of Credit	4.50**	SMERA A3 (Assigned)
Bank Guarantee	0.25	SMERA A3 (Assigned)

*Sublimit as Export Packing Credit & Export Bill Discounting to the extent of Rs. 4.50 crore.

** Sublimit as Buyers' credit to the extent of Rs. 2.00 crore.

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short-term rating of '**SMERA A3**' (read as **SMERA A three**) on the above mentioned bank facilities of United Rubbers Industries India Private Limited (URIPL). The outlook is '**Stable**'. The ratings derive strength from the experienced management, established track record of operations and geographically diversified customer base coupled with established relationship with reputed clients. The ratings also draw support from the healthy financial risk profile. However, the ratings are constrained by the moderate scale of operations and risk of exposure of profit margins to fluctuations in raw material prices and forex rates.

URIPL, incorporated in 1976, is engaged in the manufacture of rubber components. The company is headed by Mr. Ajit Rai, Managing Director, with around four decades of experience in the industry. The company caters to a diversified customer base across its overseas market and a reputed list of clientele including V E Commercial Vehicles Ltd and Mahindra & Mahindra.

URIPL has a healthy financial risk profile marked by gearing of 1.19 times as on March 31, 2016 with interest coverage ratio (ICR) of 2.44 times in FY2016. The debt service coverage ratio (DSCR) stood at 1.79 times in FY2016 while the total debt of Rs.21.75 crore as on March 31, 2016 consists of short term working capital borrowing of Rs.16.32 crore. URIPL has a comfortable liquidity position marked by net cash accruals of Rs. 4.64 as on March 31, 2016.

The ratings are constrained by moderate scale of operations with revenue of Rs.58.21 crore for FY2016 as compared to Rs.58.16 crore for FY2015. Further, the company has reported revenue of Rs. 40.16 crore for April, 2016 to September, 2016 (Provisional).

However, URIPL plans to increase production capacity at an estimated project cost of Rs.2.60 crore with Rs.0.60 crore to be funded by promoters and the balance through a term loan. The plant is expected to be functional by November 2016 and contribute around 15-20 per cent to revenues. SMERA believes that the capex will not impact the healthy financial risk profile of the company.

Also, the company's profitability is susceptible to volatility in raw material prices of synthetic rubber and natural rubber. URIPL earns around ~30 per cent revenue from export to USA, Canada, UK, Europe, Australia, South Africa and New Zealand, exposing itself to forex fluctuation risk.

Rating Sensitivity Factors

- Sustained growth in revenues and profitability
- Movement in capital structure and coverage indicators
- Efficient working capital management

Outlook-Stable

SMERA believes that the outlook of URIPL would remain stable on account of its experienced management and healthy financial risk profile. The outlook maybe revised to 'Positive' in case the company sustains healthy revenue momentum with profitability while improving its working capital cycle. Conversely, the outlook maybe revised to 'Negative' in case of deterioration in the financial risk profile or if the company undertakes higher than envisaged debt funded capex.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

Incorporated in 1976, the Mumbai-based URIPL is engaged in the manufacture of rubber components for the automobile industry at Bhayandar (Mumbai). The company is headed by Mr. Ajit Rai, Managing Director.

For FY2015-16, the company reported profit after tax (PAT) of Rs.2.19 crore on operating income of Rs.58.21 crore, as compared with net profit of Rs.2.14 crore on operating income of Rs.58.16 crore in FY2014-15. The net worth stood at Rs.18.33 crore as on March 31, 2016 as compared with Rs.16.14 crore a year earlier.

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ABOUT SMERA

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