

**Press Release**  
**Unitec Fibres Private Limited**

March 17, 2020

**Rating Upgraded**



<b>Total Bank Facilities Rated*</b>	Rs.36.05 Cr. (Enhanced from Rs. 30.00 Cr.)
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable (Revised from ACUITE BB+; Indicative)

\* Refer Annexure for details

**Rating Rationale**

Acuité has revised its long term rating to **'ACUITE BBB-'** (read as **ACUITE triple B minus**) from **'ACUITE BB+'** (read as **ACUITE double B plus**) on the Rs.36.05 cr. bank facilities of Unitec Fibres Private Limited (UFPL). The outlook is **'Stable'**.

Unitec Fibres Private Limited (UFPL) is a Mumbai based company incorporated in 2005 by Mr. Virander O. Behl and Mrs. Devina Behl as directors. Mr. Vijay Kumar Behl joined the company in the year 2016 as the director. The company is engaged in manufacturing of Recycled Polyester Staple Fibres (RPSF) from PET bottles. It has a manufacturing plant located in Boisar, Maharashtra with an installed capacity of 2400 tonnes per month.

**Analytical Approach**

Acuité has considered the standalone business and financial risk profiles of the UFPL to arrive at this rating.

**Key Rating Drivers**

**Strengths**

**• Experienced management and improvement in business risk profile**

The promoters of the company have an experience of over 25 years in this industry. The extensive experience of the promoters has helped the company generate healthy relationship with various customers and suppliers located both in Domestic and International markets.

The company reported operating income of Rs.166.71 crores in FY2019 as against Rs.132.77 crores in FY2018. This increase is majorly on account of increase in exports. The company has sustained the EBITDA margins at the range of 6.5 percent to 7.5 percent till FY2019. The PAT margins increased to 1.73 percent in FY2019 from 0.51 percent in FY2018.

Acuité believes that UFPL will continue to benefit from the promoters established presence in the textile industry and its improving business risk profile over the medium term.

**• Above average financial risk profile**

UFPL has above average financial risk profile marked by improvements in its net worth, gearing and debt protection metrics. The net worth of the company improved to Rs.33.11 crore as on 31 March 2019 as against Rs.27.90 crore as on 31 March 2018. This increase also takes into consideration infusion of quasi equity to be subordinated by the bank debt.

The company has followed a healthy financial policy in the past, the same is reflected through its improvement in gearing ratio to 0.81 Times as on 31 March 2019 from 0.99 times in 31 March 2018. The gearing however is expected to remain moderate at around 0.62 times as on 31 March 2020 on back of debt funded capex plan and support by the promoters in the form of quasi equity.

Its Total outside liabilities to tangible net worth (TOL/TNW) has improved to 1.62 times as on 31 March 2019 from 2.00 times as on 31st March 2018.

Acuité believes the financial risk profile is expected to remain moderate over medium term on account of capex of Rs.7.50 crore to be undertaken via debt funded capex plan.

**• Improvement in working capital management**

UFPL witnessed improvement in working capital operations marked by Gross Current Asset (GCA) of 111 days for FY2019 compared to 132 days for FY2018. The GCA Days has improved mainly on account of

quicker realization from debtors of 42 days for FY2019 as compared to 49 days for FY2018 and reduction in inventory holding days to 60 days for FY2019 from 62 days for FY2018. The average bank limits utilization stood at ~70 percent for past six month's ended December 2019.

Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

### Weaknesses

#### • Ongoing debt funded capex

UFPL has is currently in the process of setting up the plant for upgradation of the manufacturing process. The total project cost is Rs.7.50 crore to be funded via debt of Rs.5.35 crore and rest from internal accruals. The project is expected to be completed by December 2020. Notwithstanding the benefits of the debt funded capex, timely completion and stabilization will remain key rating sensitivities.

#### • Competitive and fragmented industry

UFPL operates in a highly competitive and fragmented industry having characterized by large number of unorganized players mainly on account of low entry barriers. This can have an impact on the profitability margins of the firm.

### Liquidity position: Adequate

The company has adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated net cash accruals of Rs.5-8 crore for last three years through FY2019 while its maturing debt obligation stood in the range of Rs.2.6-3.2 crores during the same period in the declining trend. The company had cash and bank balances of Rs.0.90 crores as on 31 March 2019. The current ratio of the firm stood at 1.09 times as on 31 March 2019.

Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals against the repayment obligations over the medium term.

### Rating Sensitivities

- Improvement and sustainability in the healthy growth of revenues and operating margins.
- Deterioration in the working capital cycle leading to stress on the liquidity position.

### Material Covenants

- The Company to maintain unsecured loans to the tune of Rs.3.64 crore in the business.

### Outlook: Stable

Acuite believes UFPL will maintain a 'Stable' business risk profile over the medium term benefiting from its experienced management. The outlook may be revised to 'Positive' in case of healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profit margins, or in case of deterioration in financial risk profile and liquidity position.

### About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	166.72	132.77
PAT	Rs. Cr.	2.88	0.68
PAT Margin	(%)	1.73	0.51
Total Debt/Tangible Net Worth	Times	0.95	0.99
PBDIT/Interest	Times	4.18	2.97

### Status of non-cooperation with previous CRA (if applicable)

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
02-Jan-2020	Term Loan	Long term	2.46	ACUITE BB+ (Downgraded & Indicative)
	Term Loan	Long term	23.00	ACUITE BB+ (Downgraded & Indicative)
	Term Loan	Long term	3.71	ACUITE BB+ (Downgraded & Indicative)
	Cash Credit	Long term	0.83	ACUITE BB+ (Downgraded & Indicative)
29-Oct-2018	Term Loan	Long term	2.46	ACUITE BBB-/Negative (Downgraded from ACUITE BBB)
	Term Loan	Long term	23.00	ACUITE BBB-/Negative (Downgraded from ACUITE BBB)
	Term Loan	Long term	3.71	ACUITE BBB-/Negative (Downgraded from ACUITE BBB)
	Cash Credit	Long term	0.83	ACUITE BBB-/Negative (Downgraded from ACUITE BBB)
30-Jun-2018	Term Loan	Long term	0.66	ACUITE BBB (Indicative)
	Term Loan	Long term	6.48	ACUITE BBB (Indicative)
	Term Loan	Long term	3.92	ACUITE BBB (Indicative)
	Cash Credit	Long term	13.00	ACUITE BBB (Indicative)
	Proposed Term Loan	Long term	5.94	ACUITE BBB (Indicative)
12-May-2017	Term Loan	Long term	0.66	ACUITE BBB / Stable (Assigned)
	Term Loan	Long term	6.48	ACUITE BBB / Stable (Assigned)
	Term Loan	Long term	3.92	ACUITE BBB / Stable (Assigned)
	Cash Credit	Long term	13.00	ACUITE BBB / Stable (Assigned)
	Proposed Term Loan	Long term	5.94	ACUITE BBB / Stable (Assigned)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.00 (Revised from Rs. 23.00 Cr.)	ACUITE BBB-/Stable (Upgraded from ACUITE BB+)
Term loans	December, 2019	Not Applicable	December, 2024	7.70	ACUITE BBB-/Stable (Upgraded from ACUITE BB+)
Term loans	December, 2019	Not Applicable	April, 2026	5.35	ACUITE BBB-/Stable (Assigned)
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB-/Stable (Upgraded from ACUITE BB+)

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**About Acuité Ratings & Research:**

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