

Press Release



Upper India Inorganic Industries Limited

October 05, 2018

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 16.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B+** (**read as ACUITE B plus**) to the Rs. 16.00 crore bank facilities of Upper India Inorganic Industries Limited (UIIL). The outlook is '**Stable**'.

Incorporated in 1995, UIIL is a Haryana-based company promoted by Mr. Atul Gupta, Mr. Amit Gupta, Mr. Aakash Gupta and Mr. Rahul Goyal. The operations of the company commenced in 2016. The company is engaged in manufacturing of zinc oxide chemical. The company has its manufacturing unit located in Haryana with installed capacity of 6000 metric tonnes per annum.

Analytical Approach

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

Key Rating Drivers:

Strengths

- **Experienced management**

The promoters possess experience of more than two decades in chemical industry. The company caters to tyres, paints, ceramics, pharmaceuticals, oil & lubricants and agriculture industry.

Acuité believes that UIIL will continue to benefit from its experienced management which will help the company to maintain long standing relations with its customers such as Apollo Tyres, Asian Paints and Bhansali Engineers and suppliers.

Weaknesses

- **Average financial risk profile**

The financial risk profile is average marked by tangible networth of Rs. 5.20 crore as on 31 March, 2018 as against Rs.4.21 crore in the previous year. The gearing stood high at 4.08 times as on 31 March, 2018 as against 2.71 times in the previous year. The total debt of Rs.21.18 crore includes term loan from bank of Rs. 0.07 crore, working capital borrowings of Rs.13.95 crore and unsecured loan of Rs. 7.16 crore. Interest Coverage Ratio (ICR) stood at 2.41 times in FY2018 as against 3.82 times in FY2017. The total outside liabilities to tangible networth (TOL/TNW) stood at 4.34 times as on 31 March, 2018 as against 2.81 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.07 times in FY2018 compared to 0.12 times in FY2017.

Going forward, Acuité believes that the company's ability to improve its networth along with debt protection metrics will remain key sensitivity.

• Susceptible of profit margins to volatility in raw material prices and forex fluctuations

The group imports 60 percent of its raw material i.e. zinc byproducts, zinc special high grade from Middle East and USA, among others. Hence, the profitability is exposed to regulatory changes in these countries and foreign exchange price fluctuations. Besides, the company is exposed to highly fragmented and competitive chemical industry due to low entry barriers restricting its pricing flexibility and affecting profitability.

Outlook: Stable

Acuité believes that UIIL will maintain a 'Stable' outlook over the medium term on the back of the management's extensive experience in the chemical industry. The outlook may be revised to Positive' if the company achieves higher than the projected growth in revenues and profitability or improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' incase of significant deterioration in the financial risk profile due to debt-funded capital expenditure.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	54.41	23.77	0.90
EBITDA	Rs. Cr.	3.18	2.61	0.00
PAT	Rs. Cr.	0.98	0.77	-0.16
EBITDA Margin	(%)	5.84	10.97	-0.32
PAT Margin	(%)	1.81	3.26	-17.63
ROCE	(%)	12.24	17.47	-2.13
Total Debt/Tangible Net Worth	Times	4.08	2.71	1.27
PBDIT/Interest	Times	2.41	3.82	0.00
Total Debt/PBDIT	Times	6.65	4.36	-58014.14
Gross Current Assets (Days)	Days	155	183	1780

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

None

Any other information

None

Applicable Criteria

- Default Recognition -<https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments -<https://www.acuite.in/criteria-fin-ratios.htm>
- Trading Entity -<https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
31-Jul-2017	Cash Credit	Long Term	14.00	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE B+ / Stable (Assigned)

#Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE B+ / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+ / Stable (Withdrawn)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+ / Stable (Assigned)

Contacts

Analytical	Rating Desk
Aditya Gupta Head – Corporate and infrastructure Sector Rating Tel: 022-67141111 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Grishma Muni Analyst - Rating Operations Tel: 022-49294075 grishma.muni@acuiteratings.in	

About Acuité Ratings & Research:

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