

Press Release

UNITECH INTERNATIONAL LIMITED

January 12, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 19.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB** (read as SMERA BB) and short term rating of '**SMERA A4+** (read as SMERA A four plus) on the Rs. 19.00 crore bank facilities of UNITECH INTERNATIONAL LIMITED. The outlook is 'Stable'.

Unitech International Limited (UIL), incorporated as a public limited company in 1994 is engaged in the trading of engineering polymers, co-polymers, compound polymer and ferrous and non-ferrous metals. These are used as raw material for making alloy steel products. The company derives around 66 percent revenue from its metal division and 34 percent from plastic and polymers. The day-to-day operations are led by Mr. Dhruv R. Desai, Mr. Joseph Kuriakose Mathoor, Mrs. Grace Jose Mathoor and Mr Thomas Joseph. UIL sells its products to auto parts manufacturing companies, surgical equipment manufacturing companies etc in Maharashtra. Around 85 percent of the purchases are procured from domestic suppliers and 15 percent imported from USA and European countries. The company began manufacturing of plastic polymer and regenerated monomer from June, 2017 at Thane and Silvassa and has a combined installed capacity of 200 tonnes per month.

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

UIL is engaged in the trading of metal and plastic for the last 23 years and has developed long term relations with customers and suppliers. The management of the company, Mr. Dhruv R. Desai, Mr. Joseph Kuriakose Mathoor and others collectively possess more than a decades experience in the aforementioned industry. Further, as part of its backward integration strategy, the company has begun manufacturing of plastic from June, 2017.

• Moderate financial risk profile, comfortable liquidity position

The financial risk profile is moderate marked by networth of Rs.12.16 crore as on 31 March, 2017 as against Rs.11.98 crore as on 31 March, 2016. The gearing stood at 1.19 times as on 31 March, 2017 as against 0.88 times as on 31 March, 2016. The total debt of Rs. 14.40 crore consists of short term and long term borrowings of Rs. 5.20 crore and Rs. 0.25 crore respectively and unsecured loan from related parties of Rs. 8.95 crore as on 31 March, 2017. The coverage indicators are comfortable with interest coverage ratio (ICR) at 2.17 times in FY2017 and debt service coverage ratio (DSCR) at 1.91 times for FY2017. The Net cash accurals/total debt (NCA/TD) stood at 0.08 times for FY2017 as against 0.12 times as on 31 March, 2016. The total liabilities to total networth (TOL/TNW) stood at 2.58 times as on 31 March, 2017 as against 3.03 as on 31 March, 2016. Further, the liquidity position of the company is comfortable with average cash credit limit utilisation at 90 percent during the last six months ended 30 September,2017

Weaknesses

• Low profitability margin

The company has reported EBITDA margin of 1.75 percent in FY2017 as against 1.54 percent in the

previous year. Further, the profit after tax (PAT) margin stood at 0.15 percent in FY2016-17 as against 0.23 percent in FY2015-16. The profitability is low as it is inherent to the trading nature of operations. However, going forward SMERA expects the profitability to improve marginally due to the commencement of manufacturing activity which is expected to contribute around 20 percent revenue in the near term.

• Intensively fragmented and competitive industry, exposure to cyclical

UIL operates in a highly competitive and fragmented metal industry with the presence of large number of unorganised players. Further, the company caters to the auto ancillary industry which is inherently cyclical in nature.

• Vulnerability of margins to fluctuations in raw material prices

The materials procured by the company include ferrous and non-ferrous metals. The raw material cost constitutes around 97.49 percent of the total sales for FY2017 as against 97.55 percent in the previous year. Prices of ferrous and non-ferrous metals are highly volatile in nature. Hence, profitability of the company is exposed to volatility in raw material prices.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company for arriving at the rating.

Outlook: Stable

SMERA believes that UIL will maintain a stable outlook over the medium term on account of its established track record of operations and extensive experience of the management in the metal and plastic trading industry. The outlook may be revised to 'Positive' in case the company registers significant growth in revenue and profitability while effectively maintaining its comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its liquidity profile or financial risk profile due to major debt funded capex or higher than expected working capital requirements.

About the Rated Entity - Key Financials

UIL reported Profit after tax (PAT) of Rs.0.20 crore on operating income of Rs. 135.96 crore for FY2017 compared to PAT of Rs. 0.29 crore on operating income of Rs. 125.34 crore in the previous year. The net worth stood at Rs.12.16 crore as on 31 March, 2017 as against Rs.11.98 crore in the previous year.

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

CARE has been seeking information from Unitech International Limited to monitor the rating(s) vide e-mail communications/letters dated May 23, 2017, June 05, 2017 and July 10, 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Unitech International Limited's bank facilities will now be denoted as CARE BB/CARE A4; ISSUER NOT COOPERATING*.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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	5.00	SMERA BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	14.00	SMERA A4+

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ABOUT SMERA

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