

Press Release
Unitech International Limited

July 19, 2018



Rating Assigned

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

* Refer Annexure for details

Corrigendum: In the Press Release published on January 12, 2018 the Key Financial Indicators table was missing which has been incorporated in this version.

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A4 Plus**) on the Rs.19.00 crore bank facilities of Unitech International Limited (UIL). 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 decade 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

UIL has a moderate financial risk profile marked by net worth of Rs.21.11 crore as on March 31, 2017 as against Rs.19.77 crore as on 31 March, 2016. The adjusted gearing stood at 0.26x times as on 31 March, 2017 as against 0.14x times as on 31 March, 2016. The total debt of Rs. 5.45 crore consists short term borrowings of Rs. 5.20 crore and long term borrowings of Rs. 0.18 crore. The coverage indicators are comfortable with interest coverage ratio (ICR) at 2.17x times in FY2017 and debt service coverage ratio (DSCR) at 1.91x times for FY2017. The net cash accruals / total debt (NCA/TD) stood at 0.20x times for FY2017 as against 0.47x times as on 31 March, 2016. The total outside liabilities to total net worth (TOL/TNW) stood at 1.06x times as on 31 March, 2017 as against 1.44x times as on 31 March, 2016. Further, the liquidity position of the company is comfortable with average cash credit limit utilization 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 FY2017 as against 0.23 percent in FY2016. The profitability is low as it is inherent to the trading nature of the operations. However, going forward Acuité expects the profitability to improve marginally due to the commencement of manufacturing activity which is expected to contribute 20 percent of the total revenue over 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 unorganized 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

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

Outlook: Stable

Acuité 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

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	135.96	125.34	91.55
EBITDA	Rs. Cr.	2.37	1.93	1.43
PAT	Rs. Cr.	0.20	0.29	0.08
EBITDA Margin	(%)	1.75	1.54	1.56
PAT Margin	(%)	0.15	0.23	0.09
ROCE	(%)	6.43	4.89	5.10
Total Debt/Tangible Net Worth	Times	0.26	0.14	0.11
PBDIT/Interest	Times	2.17	2.78	3.31
Total Debt/PBDIT	Times	2.30	1.42	1.45
Gross Current Assets (Days)	Days	73	101	114

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

CARE, vide its press release dated July 02, 2018 had denoted the rating of Unitech International Limited as 'CARE BB/Stable; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB/ Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A4+

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About Acuité Ratings & Research:

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