

Press Release

Unitech International Limited

October 29, 2018

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 40.00 Cr. (enhanced from Rs.19.00 crores)
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has Reaffirmed the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the previously rated bank facilities of Rs.19.00 crore.

Further, Acuite has assigned the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the enhanced facility of Rs.21.00 crore for Unitech International Limited (UIL). The outlook is '**Stable**'.

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. UIL sells its products to auto parts manufacturing companies, surgical equipment manufacturing companies among others in Maharashtra. The company has begun manufacturing of plastic polymer and regenerated monomer from June, 2017 at Thane and Silvassa. The combined installed capacity is 250 tonnes per month.

Analytical Approach

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

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

UIL is engaged in the trading of metal and plastic since 1994. The company has long track record of more than two decades in same line of business. The company was founded by Mr. Rajesh Desai and currently, the day-to-day operations are led by his son, Mr. Dhruv R. Desai. The other directors, Mr. Joseph Kuriakose Mathoor, Mrs. Grace Jose Mathoor and Mr. Thomas Joseph are also actively involved in the business. The directors of the company are associated with the company since inception and possess two decade of experience in the industry. The extensive experience of promoters has helped the company in establishing longstanding relationship with the customers and suppliers.

• Moderate financial risk profile

UIL has moderate financial risk profile marked by net worth of Rs.22.83 crore as on 31 March, 2018 as compared to Rs.21.11 crore as on 31 March, 2017. The gearing (debt-equity) ratio stood at 0.58 times as on 31 March, 2018 as compared to 0.26 times as on 31 March, 2017 and 0.14 times as on 31 March, 2016. The total debt of Rs.13.25 crore consists of short term borrowings of Rs.13.10 crore and long term borrowing of Rs.0.15 crore. The coverage indicators are comfortable with interest coverage ratio (ICR) at 2.38 times in FY2018 as compared to 2.88 times in FY2017 and debt service coverage ratio (DSCR) at 2.10 times in FY2018 as compared to 2.45 times for FY2017. The net cash accruals / total debt (NCA/TD) stood at 0.09 times for FY2018 as compared to 0.20 times for FY2017. The total outside liabilities to total net worth (TOL/TNW) stood at 1.26 times as on 31 March, 2018 and 1.06 times as on 31 March, 2017.

Weaknesses

• Low margins

The company has reported operating margin of 1.72 percent in FY2018 as against 1.43 percent in the previous year. Further, the profit after tax (PAT) margin stood thin at 0.19 percent in FY2018 as against 0.15 percent in FY2017. The profitability is low as it is inherent to the trading nature of the operations. However, going forward, Acuite expects the profitability to improve marginally due to the commencement of manufacturing activity over the near term.

• High competition and vulnerability of margins to fluctuations in raw material prices

UIL operates in a highly competitive and fragmented metal industry with the presence of large number of unorganised players. Further, materials procured by the company include ferrous and non-ferrous metals whose prices are volatile in nature. The company imports raw materials required for manufacturing of monomer from USA, Canada, Turkey and UAE. These expose company to foreign exchange fluctuation risk.

Outlook: Stable

Acuite 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. 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	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	131.44	135.96	125.34
EBITDA	Rs. Cr.	2.26	1.94	1.93
PAT	Rs. Cr.	0.25	0.20	0.29
EBITDA Margin	(%)	1.72	1.43	1.54
PAT Margin	(%)	0.19	0.15	0.23
ROCE	(%)	4.73	4.67	4.89
Total Debt/Tangible Net Worth	Times	0.58	0.26	0.14
PBDIT/Interest	Times	2.38	2.88	2.78
Total Debt/PBDIT	Times	5.49	2.66	1.32
Gross Current Assets (Days)	Days	102	73	101

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-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
19-Jul-2018	Cash Credit	Long Term	5.00	ACUITE BB / Stable (Assigned)
	Letter of Credit	Short Term	14.00	ACUITE A4+ (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	12.50 (enhanced from Rs.5.00 Cr.)	ACUITE BB/Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BB/Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	12.50 (reduced from Rs.14.00 Cr.)	ACUITE A4+ (Reaffirmed)
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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