

Press Release

Unique International Private Limited

February 26, 2019



Rating Assigned and Withdrawn

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB-/ Outlook: Stable
Short Term Rating	ACUITE A4 (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and withdrawn short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to Rs. 10.00 crore bank facilities of Unique International Pvt Ltd (UIPL). The outlook is '**Stable**'.

Unique International Pvt Ltd (UIPL) was incorporated in the year 1989. The company was established as a proprietorship firm in 1981 in the name of 'Unique'. Currently, the company is headed by Mr. Vikash Agarwal, Ms. Priti Agarwal, Mr. Praveen Agarwal, and Mr. Rohit Surana. The company is involved in manufacturing of handbags, wallets and other accessories with two manufacturing facilities in Kolkata, West Bengal. The finished products are exported mainly to European countries apart from Australia.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Long track record of operation and established relationship with customers:**

Unique International Pvt Ltd (UIPL) a Kolkata based company was established in 1989. The company has a long track record of operations with over two decades and currently the business is headed by Mr. Vikash Agarwal, Ms. Priti Agarwal, Mr. Praveen Agarwal, and Mr. Rohit Surana. The directors have more than two decades of experience in this line of business. The company is involved in manufacturing of handbags, wallets and other accessories and the products are exported primarily to the European countries and Australia.

The experienced management and long standing relationship with customers supports the business risk profile of UIPL. UIPL has long standing relationship of over two decades with customers spread across European market with big buying houses who in turn deal with big brand names like Calvin Klein, Tommy Hilfiger, Hugo Boss, US Polo only to name a few.

- **Moderate financial risk profile**

The company has moderate financial risk profile marked by moderate tangible net worth of Rs.31.11 crore as on 31 March, 2018. The improvement is mainly due to accretion to reserves. The gearing stood comfortable at 0.60 times in FY'2018 as against 0.34 time in FY'2017. The increase in gearing is due to rise in total debt from Rs. 10.37 crore as on March 31, 2017 to Rs. 19.37 as on March 31, 2018 which consists majorly of short term debt of Rs.9.03 crore, long term debt of Rs. 9.14 crore, current portion of long term debt of Rs.1.00 crore and unsecured loans of Rs. 0.20 crore as on March 31, 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.86 times as on 31 March, 2018 as against 0.67 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 2.46 times for FY 2018 as against 3.48 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.96 times in FY2018 as against 2.31 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.11 times as on 31 March, 2018 as against 0.18 times as on 31 March, 2017.

- **Improvement in profitability**

The management of the company is focusing on the profitability margins resulting in improvement thereof. The EBITDA margin has improved to 9.85 percent in FY2018 as against 7.51 percent in the previous year. The rise in margin is mainly due to change in its customer profile from retail to large buying entities who in turn cater to big sellers like Calvin Klein, Tommy Hilfiger, Hugo Boss and others. The PAT margin stood at 3.14 percent in FY2018 which improved from 2.54 percent in FY2017.

Weaknesses

- **Moderate scale of operations**

The scale of operations is moderate with sluggish revenue of Rs.33.04 crore in FY2018 as against Rs.33.68 crore in FY2017 despite the long track record of operations mainly because of full utilization of its plant and machinery. Acuité believes the ability of the company to scale up the operations will remain a key monitorable.

- **Working capital management**

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 225 days in 2017-18 as against 199 days in 2016-17. These high GCA days emanates from high inventory holding period 154 days in FY18. Company's operations are expected to remain working capital intensive, as the company is engaged in manufacturing of leather products which involve a long processing cycle. The debtor days stood comfortable at 25 days in FY2018 as compared to 51 in FY2017. The company on an average maintains inventory of around 110 days and above. The GCA days also incorporates the other current asset factor amounting to Rs. 4.71 crore as on March 31, 2018.

- **High exposure to group companies**

The financial risk profile is constrained by significant exposure to associate companies of around Rs.20.00 crore to group companies. Since the unwinding of these exposures is uncertain, the adjusted net worth (i.e. net worth after knocking off the exposure to these entities) is around Rs.12.11 crore as on 31 March 2018. Acuité believes that the credit profile of UIPL will depend on its ability to curtail these exposures.

Liquidity Position

UIPL has a moderate liquidity position. The company's net cash accruals stood at Rs.2.13 crore in FY2018 as against maturing debt obligations of Rs.1.00 crore over the same period. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 225 in FY 2018. The current ratio of the firm stood moderate at 1.12 times as on March 31, 2018. The same is also reflected in fully utilised bank limits. Acuité believes that the liquidity of the firm is likely to remain moderate over the medium term.

Outlook: Stable

Acuité believes that UIPL will maintain a 'Stable' outlook over the medium term from its director's industry experience. The outlook may be revised to 'Positive' in case of significant growth in its revenues while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital operations or larger than expected debt-funded capex leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	33.04	33.68	19.93
EBITDA	Rs. Cr.	3.25	2.53	2.39
PAT	Rs. Cr.	1.04	0.85	1.12
EBITDA Margin	(%)	9.85	7.51	11.98
PAT Margin	(%)	3.14	2.54	5.60
ROCE	(%)	5.37	4.87	4.82
Total Debt/Tangible Net Worth	Times	0.60	0.34	0.21

PBDIT/Interest	Times	2.46	3.48	3.47
Total Debt/PBDIT	Times	5.44	3.65	2.19
Gross Current Assets (Days)	Days	225	199	315

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/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.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
12-Jul-2018	PC/PCFC	Short Term	10.00	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB-/ Stable (Assigned)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4 (Withdrawn)

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About Acuité Ratings & Research:

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