

Press Release

Umiya Cast LLP

July 27, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.21 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 8.21 crore bank facilities of Umiya Cast LLP. The outlook is '**Stable**'.

The Gujarat based, Umiya Cast LLP was incorporated in 2017 as LLP firm. The firm is engaged in manufacturing of MS steel ingots and billets with installed capacity of 55MT/day. The firm comprises of 20 partners with 4 designated partners. The firm is managed by Mr. Chirag Patel, Mr. Alkesh Patel, Mr. Vikrant Patel and Mr. Jagannath Patel.

About the group company

The Gujarat based, Umiya Metals Private Limited was incorporated in 2010 and is engaged in manufacturing of MS ingots with installed capacity of 40 tons per day. The company is managed by Mr. Chirag Patel, Mr. Alkesh Patel, Mr. Jagannath Patel and Mr. Alpesh Patel.

Acuité has consolidated business and financial risk profile of the firm to arrive at the rating. Both the entity, Umiya Metals Private limited and Umiya Cast LLP are engaged in the same line of business. Further, there are inter-company transactions and Umiya Metal Private Limited has extended corporate guarantee to Umiya Cast LLP.

Key Rating Drivers

Strengths

- Experienced management and established relationship with rolling mills and other units**

The management of the firm has established relationship with rolling mills resulting in established market for its product. The partners have experience of about eight years in manufacturing of ingots and billets, ceramic and rolling mill business. The firm has been operating at almost 100 percent capacity and has booked turnover of Rs.13.56 crore in the month of May and June 2018 collectively.

- Proximity to customers and suppliers**

The firm has proximity to customers and suppliers which significantly reduces its transportation cost. There are many rolling mills at Mehsana district in Gujarat resulting in steady demand.

- Efficient working capital management**

The working capital cycle of the firm is expected to be managed efficiently due to healthy debtor cycle of 7-15 days policy. Further, low inventory holding will also lead to lower requirement of working capital fund.

Weaknesses

- Average project gearing**

The firm has financed its project of Rs.9.69 crore by bank loan of Rs.6.05 crore and Partners fund of Rs.3.64 crore. The gearing is expected to remain in the range of 2-3 times over the medium term.

Analytical Approach

Acuité has consolidated business and financial risk profile of Umiya Cast LLP with Umiya Metals Private Limited to arrive at the rating.

Outlook: Stable

Acuité expects the firm to maintain a 'Stable' outlook over the medium term backed by its experienced management and established relationship with customers and suppliers in metal industry. The outlook may be revised to 'Positive' if the firm is able to achieve higher than expected growth in revenue along with higher margins. On the contrary, the outlook may be revised to 'Negative' in case of suboptimal utilisation of installed capacity with lower margins impacting the credit profile of the firm.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	43.18	26.81	27.89
EBITDA	Rs. Cr.	1.66	1.04	0.91
PAT	Rs. Cr.	0.62	0.35	0.19
EBITDA Margin	(%)	3.84	3.86	3.27
PAT Margin	(%)	1.44	1.30	0.67
ROCE	(%)	15.74	23.51	15.85
Total Debt/Tangible Net Worth	Times	1.64	2.61	5.93
PBDIT/Interest	Times	2.99	3.47	2.75
Total Debt/PBDIT	Times	5.60	2.04	2.95
Gross Current Assets (Days)	Days	82	31	23

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB-/Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	6.05	ACUITE BB-/Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.66	ACUITE A4+ (Assigned)

Contacts

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About Acuité Ratings & Research:

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