

Press Release

Umiya Cast LLP

March 31, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs.8.21 Cr.
Long Term Rating	ACUITE BB (Withdrawn)
Short Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and the short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to Rs.8.21 crore bank facilities of Umiya Cast LLP (UCL).

The rating has been withdrawn on account of request received from the company and NOC received from the banker.

Gujarat-based, Umiya Cast LLP was incorporated in 2017 as a Limited Liability Partnership firm and the commercial operation commenced from February 2018. 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, Mr. Chirag Patel, Mr. Alkesh Patel, Mr. Vikrant Patel and Mr. Jagannath Patel.

About the group company

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

Analytical Approach

Acuité has consolidated business and financial risk profile of Umiya Cast LLP and Umiya Metals Private Limited (together known as Umiya Group (UG)) to arrive at the rating. The consolidation is on account of similarity in line of business, significant operational linkages and common set of management controlling both the entities. Further, Umiya Metal Private Limited has extended corporate guarantee to Umiya Cast LLP. Extent of consolidation: Full.

Key Rating Drivers

Strengths

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

The management of the group has established healthy relationship with rolling mills resulting in established market for its product. The partners have experience of about nine years in manufacturing of ingots and billets, ceramic products and rolling mill business.

- Efficient management of working capital cycle**

UG's working capital is efficiently managed as is reflected by its gross current asset (GCA) days of around 30 days for FY2019. The company maintains inventory level of around 7 days for FY2019 owing to low work in process cycle time. UG extends a credit period of around 23 days to its customers. On the other hand, the company gets 11 days credit from its suppliers. As a result, the reliance on working capital limits is low.

- Moderate financial risk profile**

UG has moderate financial risk profile marked by low net worth gearing and debt protection metrics. The net worth stood at Rs.4.54 crore as on 31 March 2019 as against Rs.4.28 crore as on 31 March 2018. The gearing reduced to 2.00 times as on 31 March 2019 from 2.18 times as on 31 March, 2018. The total debt of Rs.9.08 crore as on 31 March, 2019 mainly consists of term loan of Rs.4.89 crore, unsecured loans of Rs.1.72 crore and working capital borrowings of Rs.2.48 crore. Total outside

Liabilities/Tangible Net Worth (TOL/TNW) improved and stood at 2.85 times as on 31 March 2019 as against 3.02 times as on 31 March 2018 on account of improvement in accretion to reserves during FY2019. Interest Coverage Ratio (ICR) stood healthy at 2.53 times and Debt Service Coverage Ratio DSCR of 1.36 times in FY2019.

Weaknesses

- **Susceptibility of operating margins to volatility in raw material prices.**

UG manufactures MS ingots and billets, which is sold to rolling mills located in the vicinity. The company has limited bargaining power due to high competitive pressures within the industry. The company on the other hand procures raw materials through domestic markets, the prices of which have remained volatile in the past; further, UG has limited flexibility while passing on the raw material price changes to the customers leading to volatile profitability as reflected in 3.86-2.35 per cent over the last three years.

Liquidity Position: Adequate

UCL liquidity position is adequate marked by sufficient net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.65 crore in FY2019 compared to Rs.1.04 crore in FY2018. The working capital requirement lowered as reflected in GCA of 30 days during FY2019 compared to 72 days in FY2018. The current ratio was moderate at 1.52 times as on March 31, 2019. The unencumbered cash and bank balances stood at Rs.0.03 crore as on March 31, 2019.

About the Rated Entity - Key Financials (Consolidated)

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	96.67	43.18
PAT	Rs. Cr.	0.59	0.27
PAT Margin (%)		0.61	0.62
Total Debt/Tangible Net Worth	Times	1.91	2.17
PBDIT/Interest	Times	2.72	3.34

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

None

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation of companies - <https://www.acuite.in/view-rating-criteria-60.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
18-Oct-2019	Cash Credit	Long Term	0.25	ACUITE BB/Stable (Upgraded from ACUITE BB-/Stable)
	Term loan	Long Term	4.14	ACUITE BB/Stable (Upgraded from ACUITE BB-/Stable)
	Bank Guarantee/ Letter of Guarantee	Short Term	0.56	ACUITE A4+ (Reaffirmed)

	Proposed Bank Facility	Long Term	3.26	ACUITE BB/Stable (Upgraded from ACUITE BB-/Stable)
27-July-2018	Cash Credit	Long Term	1.50	ACUITE BB-/Stable (Assigned)
	Term loan	Long Term	6.05	ACUITE BB-/Stable (Assigned)
	Bank Guarantee/ Letter of Guarantee	Short Term	0.66	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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE BB (Withdrawn)
Term Loan	Not Available	Not Applicable	Not Available	4.14	ACUITE BB (Withdrawn)
Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.56	ACUITE A4+ (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.26	ACUITE BB (Withdrawn)

Contacts

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About Acuité Ratings & Research:

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