

Press Release

Unique Shell Mould India Private Limited

September 12, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.22 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.7.22 crore bank facilities of Unique Shell Mould India Private Limited (USMI). The outlook is '**Stable**'.

The Coimbatore based, USMI is promoted by Shri. S.V. Jagadesan. It was established as a partnership firm in 1983 and later in 2001, the constitution was changed to private limited company. It is engaged in manufacturing aluminum alloy casted components. The company caters mainly to two wheeler industry deriving 70 percent of its income from the same.

Key Rating Drivers

Strengths

- **Established presence in the industry and experienced management**

USMI was established in 1983. The management of the company possesses industry experience of over three decades. During this period, the company has established healthy customer relationship with reputed customers such as TVS Motors, Honda, Suzuki, and Yamaha among others. Acuite believes that USMI will sustain the existing business profile on the back of established market presence in the industry and healthy customer relationship over the near to medium term.

- **Diversified customer base**

The company is supplying materials to diversified industry such as two wheeler automotive engine manufacturers, construction industry, and hydraulic equipment manufacturers among other. The majority of the income (~70 percent of total income) is derived from various two wheeler manufacturers spread across the country. Out of total revenue, the company exports around 15 percent to countries like United Kingdom, United States of America among others and the rest revenue is generated from domestic market.

- **Healthy financial risk profile**

USMI has moderate financial risk profile marked by tangible net worth of Rs.26.34 crore as on 31 March, 2018 (Provisional) as against Rs.21.83 crore as on 31 March, 2017. It includes reserves of Rs.25.74 crore as on 31 March, 2018 (Provisional). The debt of Rs.4.29 crore mainly consists of term loans of Rs.1.29 crore and working capital borrowings of Rs.2.80 crore as on 31 March, 2018 (Provisional). Interest Coverage Ratio (ICR) stood healthy at 11.50 times in FY2018 (Provisional) as against 11.54 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 4.19 times in FY2018 (Provisional) as against 3.10 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.10 times as on 31 March, 2018 (Provisional) as against 1.18 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 1.58 times as on 31 March, 2018 (Provisional) as against 2.17 times as on 31 March, 2017.

- **Comfortable working capital Management**

USMI has comfortable working capital cycle marked by Gross Current Assets (GCA) of 75 days in FY2018 (Provisional) as against 70 days in FY2017. The GCA days are dominated by debtor days of 56 in FY2018 (Provisional) as against 43 days in FY2017. The average working capital utilisation for the past six months ending June 2018 stood at ~75 percent. Acuite believes that efficient working capital management will be crucial to the company in order to maintain stable credit profile.

Weaknesses

• Exposure to volatility in raw material prices and foreign currency fluctuation risk

The raw material forms the major component of the overall cost of the company. The basic raw material for production is Aluminium alloy bars, prices of which are volatile in nature which results in price fluctuation risk on the margins of the company. This can be seen in the decline of profit margins in the past. The EBITDA margin declined to 5.66 percent in FY2018 (Provisional) as against 7.34 percent in FY2017. Further, USMI exports almost 15 percent to the European and US countries making it exposed to the foreign currency fluctuation risk.

• Competitive and fragmented industry

USMI operates in a highly competitive and fragmented industry characterised by large number of unorganised players affecting margins.

Analytical Approach

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

Outlook: Stable

Acuite believes that USMI will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management and diversified customer base. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline in the revenues or profit margins or in case of deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	145.97	121.30	102.39
EBITDA	Rs. Cr.	8.26	8.91	8.32
PAT	Rs. Cr.	4.57	4.71	4.14
EBITDA Margin	(%)	5.66	7.34	8.12
PAT Margin	(%)	3.13	3.88	4.05
ROCE	(%)	21.66	28.42	58.05
Total Debt/Tangible Net Worth	Times	0.16	0.14	0.27
PBDIT/Interest	Times	11.50	11.54	9.03
Total Debt/PBDIT	Times	0.49	0.34	0.54
Gross Current Assets (Days)	Days	75	70	62

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>

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	2.80	ACUITE BBB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.16	ACUITE BBB / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BBB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.70	ACUITE A3+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.06	ACUITE A3+

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About Acuité Ratings & Research:

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