

Press Release

Unique Shell Mould India Private Limited

July 07, 2021

Rating Withdrawn



Total Bank Facilities Rated*	Rs.7.22 Cr.
Long Term Rating	ACUITE BB (Withdrawn)
Short Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has withdrawn the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and the short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.7.22 Cr bank facilities of Unique Shell Mould India Private Limited (USMI).

The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating and on account of request received from company and No Objection Certificate (NOC) received from banker.

About the Company

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.

Analytical Approach

Acuite has taken the standalone view of the business and financial risk profile of USMI to arrive at the rating.

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.

- 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 20 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's financial risk profile is healthy marked by improving gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW) and comfortable debt protection metrics. The gearing stood at 0.10 times as on March 31, 2020 against 0.17 times as on March 31, 2019. TOL/TNW stood at 0.81 times as on March 31, 2020 against 1.27 times as on March 31, 2019. Tangible net worth of the company stood modest at Rs.33.83 crore as on March 31, 2020 against Rs.28.61 crore as on March 31, 2019. The total debt of Rs.3.45 crore as on March 31, 2020 mainly consists of long-term debt of Rs.2.32 crore, short-term debt of Rs.0.70 crore and unsecured loans of Rs.0.43 crore. Debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) stood comfortable at 10.75 times and 2.26 times respectively in FY2020, while DSCR stood at 4.30 times in FY2020.

• Moderate working capital operations

USMI's working capital operations are moderate marked by Gross Current Asset days (GCA) of 76 days in FY2020 against 73 days in FY2019. The inventory days were recorded at 26 days in FY2020 against 24 days in FY2019. The inventory holding policy followed by the company is 15-20 days to cater to spot orders. The debtors' days were recorded at 37 days in FY2020 against 41 days in FY2019. The company provides a credit period of 45-60 days to its customers and it enjoys the same credit period from its suppliers. However, working capital bank lines remains utilized at ~63.45 percent for last trailing six months ended April, 2021.

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. Further, USMIPL exports almost 20 percent to the European and US countries making it exposed to the foreign currency fluctuation risk.

• Competitive and fragmented industry

The company operates in a highly competitive industry with the presence of a large number of organized as well as unorganized players in India.

Rating Sensitivities

Not Applicable

Material Covenants

None

Liquidity: Adequate

USMI has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The company generated cash accruals in the range of Rs.4.28 crore-Rs.7.81 crore during the last three years through 2018-20 against moderate repayment obligations in the range of Rs.0.82 crore-Rs.1.07 crore. Unencumbered cash and bank balances stood at Rs.1.88 crore as on March 31, 2020 with a current ratio of 1.38 times in the same period. Liquid investments stood at Rs.3.88 crore as on March 31, 2020. The working capital limits remains utilized at ~63.45 percent for last trailing six months ended April, 2021. The company has not availed any covid loans / covid moratorium.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	145.41	169.69
PAT	Rs. Cr.	5.22	2.05
PAT Margin	(%)	3.59	1.21
Total Debt/Tangible Net Worth	Times	0.10	0.17
PBDIT/Interest	Times	10.75	5.29

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Apr-2021	Cash Credit	Long Term	2.80	ACUITE BB (Downgraded; Indicative)
	Term Loan	Long Term	2.16	ACUITE BB (Downgraded; Indicative)
	Proposed Bank Facility	Long Term	0.50	ACUITE BB (Downgraded; Indicative)
	Letter of Credit	Short Term	1.70	ACUITE A4+ (Indicative)
	Bank Guarantee	Short Term	0.06	ACUITE A4+ (Indicative)
05-Feb-2020	Cash Credit	Long Term	2.80	ACUITE BB+ (Indicative)
	Term Loan	Long Term	2.16	ACUITE BB+ (Indicative)
	Proposed Bank Facility	Long Term	0.50	ACUITE BB+ (Indicative)
	Letter of Credit	Short Term	1.70	ACUITE A4+ (Indicative)
	Bank Guarantee	Short Term	0.06	ACUITE A4+ (Indicative)
14-Oct-2019	Cash Credit	Long Term	2.80	ACUITE BBB (Indicative)
	Term Loan	Long Term	2.16	ACUITE BBB (Indicative)
	Proposed Bank Facility	Long Term	0.50	ACUITE BBB (Indicative)
	Letter of Credit	Short Term	1.70	ACUITE A3+ (Indicative)
	Bank Guarantee	Short Term	0.06	ACUITE A3+ (Indicative)

*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 BB (Withdrawn)
Term Loan	Not Available	Not Available	Not Available	2.16	ACUITE BB (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.16	ACUITE BB (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE A4+ (Withdrawn)

Contacts

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About Acuité Ratings & Research:

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