

Press Release
Utkarsh India Limited

November 26, 2021

Rating Reaffirmed



Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Long Term Rating	Short Term Rating
Bank Loan Ratings	350.00	350.00		ACUITE A2+ Reaffirmed
Bank Loan Ratings	311.87	311.87	ACUITE A- Stable Reaffirmed	
Total	661.87	661.87	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 661.87 crore bank facilities of Utkarsh India Limited (UIL). The outlook remains '**Stable**'.

The ratings continue to reflect the company's strong business profile marked by its diversified revenue profile and moderate order book backed by established customer base which includes renowned EPC contractors, power transmission and distribution companies. The ratings also factor in company's above average financial risk profile marked by healthy networth and low gearing. These rating strengths are partially offset by the company's working capital intensive nature of operations and the decline in profitability levels.

About the Company

Established in 1987 as Bansal Mechanical Works and later changed its constitution to a limited company in 1995, Utkarsh India Limited is a Kolkata based company promoted by Mr. Sunil Bansal. The company initially started with the production of mild sheets and galvanized iron ERW pipes. Over the years, the company has diversified its product line and currently has product profile across seven verticals namely MS pipes, GI pipes, transmission and telecom towers, poles, crash barriers and PVC and high-density polyethylene (HDPE) pipes. The company has two manufacturing units located in West Bengal with combined installed capacity of 3,60,600 MTPA.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The company has a long track record of over three decades in steel processing and pipes industry. The key promoter, Mr. Sunil Bansal, possesses a vast experience of nearly around three decades in the industry. Currently, he and his son, Mr. Utkarsh Bansal are actively involved in the day to day operations of the company. The long track record and the

extensive experience of the promoters have resulted in establishing UIL as a popular brand in the domestic market. The management over the years has diversified its product profile into

different segments, with presence in GI pipes, polyvinyl chloride (PVC) pipes, towers, poles, and crash barriers.

Acuité believes that its established market presence and the promoter's vast experience has enabled the company to build healthy relationships with customers and secures repeat orders.

- **Established relationship with customers**

The company has exposure in diverse sectors like power, telecom and, Railways and has a wide customer base consisting of reputed and renowned customers such as Power Grid Corporation of India, BCPL Railways Infrastructure Limited, Duferco Asia PTE Ltd, to name a few. Also, companies like Larsen & Toubro Limited, Kalpataru Power Transmission Ltd, Reliance Jio Infocomm Limited have given orders to the company. Hence, there is no client concentration risk.

- **Diversified product profile and healthy scale of operations**

The company has a diversified product mix including mild steel black pipe, galvanized pipe and precision tubes of various specifications, which have multiple key user industries. The company has registered revenues of Rs. 925.34 Cr in FY2021 as compared to revenues of Rs.960.53 Cr in FY2020. The decline in revenues in FY2021 is on account of lower volume growth in Electrical Towers segment meant for railways, telecom and power companies in FY21 as compared to last year. Also, due to Covid-19 induced lockdown, the sales of the company got highly impacted in the first quarter of FY2021 which has added to the decline in overall revenues, since it was operating with 50 per cent manpower. However, the company performed well in PVC pipes, poles and crash barriers. However, the company has been able to regain the growth trajectory with sales of around Rs. 551.83 Cr till September 2021. The company has a moderate order book position with unexecuted orders in hand worth around Rs. 216.67 crore which are to be executed in the upcoming two to three months, thereby providing moderate revenue visibility in the medium term.

Acuité believes that the diversified product range of the company will help to maintain its strong business risk profile over the medium term.

- **Above average financial risk profile**

The company's above average financial risk profile is marked by healthy networth base, comfortable gearing and moderate debt protection metrics. The tangible net worth of the company improved to Rs.264.19 crore as on March 31, 2021 from Rs.249.06 crore as on March 31, 2020 due to accretion of reserves. Acuité has considered unsecured loans of Rs.48.54 Cr as on March 31, 2021, as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. Gearing of the firm stood below unity at 0.91 as on March 31, 2021 as compared to 1.05 as on March 31, 2020. The debt of Rs 241.50 crore mainly consists of working capital borrowing of Rs.149.57 crore, long term borrowings of Rs.60.22 crore and current obligations of Rs.31.71 crore and as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.48 times as on March 31, 2021. Interest Coverage Ratio stood at 1.76 times as on March 31, 2021 and Debt Service Coverage Ratio at 1.23 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.12 times as on March 31, 2021.

Acuité believes that going forward the financial risk profile of the firm will remain healthy with no major debt funded capex plans.

Weaknesses

- **Contraction in profit margins due to higher raw material costs**

The company had witnessed a decline in profit margin as operating margin stood at 7.83 percent in FY21 as against 8.69 percent. The PAT margin stood at 1.77 per cent in FY21 (provisional) as compared to 2.72 per cent in the previous year. The reason for this deterioration is decline in profit margin of their engineering division due to rise in raw material costs which could not be entirely passed on to its customer as sizeable portion of contracts were on a fixed price basis. The increase in raw material costs is on account of rising billet and zinc prices which are main raw materials for engineering products. The company was holding large volumes of raw materials to mitigate the price fluctuation risk. The company also suffered sizeable inventory losses in the past due to an adverse fluctuation in steel prices, which in turn affected the margins. However, the company has restricted from taking long term supply order to hedge its risk by placing order of raw material equivalent to supply order quantity. The PAT margin improved to 2.55 per cent in H1 FY22 (provisional) as compared to 0.90 per cent in H1 FY21.

Acuité believes the profit margin is likely to remain at similar level over the medium term because of high metal prices.

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 170 days as on March 31, 2021, as compared to 184 days as on 31st March 2020. The inventory holding stood high at 114 days as on 31st March 2021 as compared to 117 days as on 31st March 2020 since the company has a diversified product profile, and has to maintain considerable amount of inventory both in terms of raw materials and finished goods. Further, the inventory in the form of transmission towers have to be kept ready in advance which are supplied only after inspection by the concerned customers. However, the debtor period stood moderate at 60 days as on 31st March 2021 (provisional) as compared to 65 days as on 31st March 2020.

Acuité believes that the working capital operations of the firm will remain almost at the same levels as evident from the high level of inventory period over the medium term.

ESG Factors Relevant for Rating

The metal production and processing industry has a substantial environmental impact. The processes are power-intensive and most steel is still produced with blast furnaces, leading to significant GHG and particulate matter emissions. The other material environmental factors in the industry are waste disposal practices, efficient water utilization and minimizing water pollution.

Occupation and workforce health & safety management are of primary importance to this industry given the nature of operations. Furthermore, reliable product quality, community relations, inclusive development and human rights concerns are other crucial social factors. From the governance perspective, factors such as ethical business practices, management compensation and board functioning hold primary importance within this industry. Likewise, regulatory compliance, shareholder's rights and audit control are other material issues to the industry.

UIL supports community development through CSR projects mainly aimed at promotion of education, eradication of hunger, malnutrition, poverty and animal welfare. The company is ISO-9001:2015 certified implying adequate quality of products supplied by it. The company's board has nine directors with one female director and only one independent director, reflecting limited diversity.

Liquidity Position: Adequate

The company's liquidity is adequate marked by the net cash accruals stood at Rs.28.91 Cr in March 31, 2021 as against long term debt repayment of only Rs.15.62 Cr over the same period. The current ratio stood comfortable at 1.41 times as on March 31, 2021 as compared to 1.31 times as on March 31, 2020. The fund based limit remains utilized at 60 per cent over one year ended September, 2021. The unencumbered cash and bank balances of the company stood at Rs.0.65 crores as on March 31, 2021. The company had not availed moratorium during Mar 2020 to Aug 2020 and has been sanctioned Covid loan of Rs.32.83 crore. However, the working capital cycle of the company is high as reflected by Gross Current Assets (GCA) of 170 days as on March 31, 2021, as compared to 184 days as on 31st March 2020.

Acuité believes that going forward the company will maintain strong liquidity position due to steady accruals.

Rating Sensitivities

- Growth in revenue along with improvement in profitability margins
- Elongation of working capital cycle

Material covenants

None

Outlook: Stable

Acuité believes the outlook of UIL will remain 'Stable' over the medium term backed by its long track record of operations, strong business profile, healthy order book and comfortable financial risk profile. The outlook may be revised to 'Positive' if the company is able to increase its scale of operations significantly while improving its profitability margins at current levels thereby resulting in enhanced cash accruals and better liquidity position. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile and liquidity position or further deterioration in its working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	925.34	960.53
PAT	Rs. Cr.	16.42	26.11
PAT Margin	(%)	1.77	2.72
Total Debt/Tangible Net Worth	Times	0.91	1.05
PBDIT/Interest	Times	1.76	1.91

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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Dec 2020	Term Loan	Long Term	6.70	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	200.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A2+ (Assigned)
	Proposed Bank Facility	Short Term	1.65	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	225.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	145.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	78.52	ACUITE A- Stable (Reaffirmed)
28 Nov 2019	Proposed Term Loan	Long Term	5.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	150.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	36.42	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	240.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	200.00	ACUITE A2+ (Reaffirmed)
15 Nov 2018	Cash Credit	Long Term	175.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	42.50	ACUITE A- Stable (Assigned)
	Proposed Term Loan	Long Term	5.25	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	150.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	125.00	ACUITE A2+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	Facilities	ISIN	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Rating
Bank of Baroda	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	15.00	ACUITEA2+ Reaffirmed
DCB Bank Limited	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	15.00	ACUITE A2+ Reaffirmed
Indian Bank	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.0	72.50	ACUITEA2+ Reaffirmed
Indusind Bank Ltd	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	5.00	ACUITEA2+ Reaffirmed
Punjab National Bank	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	20.00	ACUITE A2+ Reaffirmed
UCO Bank	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	12.50	ACUITE A2+ Reaffirmed
Union Bank of India	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	10.00	ACUITEA2+ Reaffirmed
Bank of Baroda	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	2.50	ACUITE A- Stable Reaffirmed
IDBI Ltd	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	10.00	ACUITE A- Stable Reaffirmed
Indian Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	95.00	ACUITE A- Stable Reaffirmed
Indusind Bank Ltd	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	0.50	ACUITE A- Stable Reaffirmed
Punjab National Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	4.50	ACUITE A- Stable Reaffirmed
State Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	33.00	ACUITE A- Stable Reaffirmed
UCO Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	44.50	ACUITE A- Stable Reaffirmed
Union Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	35.00	ACUITE A- Stable Reaffirmed
Bank of Baroda	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	17.50	ACUITEA2+ Reaffirmed
DCB Bank		Not	Not	Not	Not			ACUITE

Limited	Letter of Credit	Applicable	Applicable	Applicable	Applicable	0.00	15.00	A2+ Reaffirmed
IDBI Ltd	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	15.00	ACUITE A2+ Reaffirmed
Indian Bank	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	87.50	ACUITE A2+ Reaffirmed
Indusind Bank Ltd	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	15.00	ACUITE A2+ Reaffirmed
Punjab National Bank	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	10.00	ACUITE A2+ Reaffirmed
UCO Bank	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	10.00	ACUITE A2+ Reaffirmed
Union Bank of India	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	30.00	ACUITE A2+ Reaffirmed
Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	1.79	ACUITE A- Stable Reaffirmed
Bank of India	Term Loan	Not Applicable	31-12-2015	Not available	31-03-2023	0.00	8.72	ACUITE A- Stable Reaffirmed
Indian Bank	Term Loan	Not Applicable	31-12-2017	Not available	31-03-2022	0.00	1.89	ACUITE A- Stable Reaffirmed
Indian Bank	Term Loan	Not Applicable	28-02-2021	Not available	30-11-2024	0.00	16.25	ACUITE A- Stable Reaffirmed
Indian Bank	Term Loan	Not Applicable	30-06-2017	Not available	30-09-2022	0.00	1.57	ACUITE A- Stable Reaffirmed
ICICI Bank Ltd	Term Loan	Not Applicable	31-03-2019	Not available	30-04-2026	0.00	3.84	ACUITE A- Stable Reaffirmed
ICICI Bank Ltd	Term Loan	Not Applicable	31-03-2019	Not available	30-04-2029	0.00	1.75	ACUITE A- Stable Reaffirmed
ICICI Bank Ltd	Term Loan	Not Applicable	31-03-2019	Not available	31-05-2029	0.00	0.98	ACUITE A- Stable Reaffirmed
ICICI Bank Ltd	Term Loan	Not Applicable	31-03-2019	Not available	31-10-2025	0.00	1.60	ACUITE A- Stable Reaffirmed
Tata Capital Limited	Term Loan	Not Applicable	21-11-2019	Not available	31-03-2025	0.00	15.65	ACUITE A- Stable Reaffirmed
IDBI Ltd	Working Capital Demand Loan (WC DL)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	1.28	ACUITE A- Stable Reaffirmed
Indian	Working Capital Demand Loan	Not	Not	Not	Not	0.00	18.74	ACUITE A- Stable

Bank	(WCDL)	Applicable	Applicable	Applicable	Applicable			Reaffirmed
Punjab National Bank	Working Capital Demand Loan (WCDL)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	1.84	ACUITE A- Stable Reaffirmed
State Bank of India	Working Capital Demand Loan (WCDL)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	3.74	ACUITE A- Stable Reaffirmed
UCO Bank	Working Capital Demand Loan (WCDL)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	4.84	ACUITE A- Stable Reaffirmed
Union Bank of India	Working Capital Demand Loan (WCDL)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	2.39	ACUITE A- Stable Reaffirmed

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