

## Press Release

Ultra Dimensions Private Limited

D-U-N-S® Number: 86-227-8237

March 12, 2019

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 70.00 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 70.00 crore bank facilities of ULTRA DIMENSIONS PRIVATE LIMITED (UDPL). The outlook is '**Stable**'.

Visakhapatnam-based, UDPL was established in 1994 as a proprietorship concern by Mr. Lakkavarapukota Ganga Trinadha Rao. Subsequently, the constitution was changed to private limited company in 2008. UDPL is engaged in the manufacturing of titanium valves for navy submarines, fabrication of pipes, ship repair work and dredging. Apart from Visakhapatnam, the company has offices in Hyderabad and Port Blair engaged in manufacturing of titanium valves and repair work of ships, respectively.

### Analytical Approach

Acuité has considered the standalone business and financial risk profile of UDPL to arrive at the rating.

## Key Rating Drivers

### Strengths

#### • Established track record and experienced management

UDPL has been in the aforementioned line of business since 1994. The promoter has gained experience and technical know-how for more than two decades which has helped him develop long term relations with its customers. UDPL's revenue improved to Rs.59.47 crore in FY2018 against Rs.36.13 crore in FY2017. The company has healthy orders in hand of Rs.273.36 crore as on 30 September, 2018 to be executed in the next 3 to 4 years. UDPL has registered revenue of Rs.47.64 crore from April 2018 to January 2019. Acuité believes that the company's long track record along with the extensive experience of the management will help the company in maintaining a healthy business risk profile.

#### • Reputed customer base in the defence sector

The company manufactures titanium valves for the Indian Navy submarines and carries out ship repair work fabrication of pipes for ship building and dredging. It caters to various reputed clients in the defence industry including Ship Building Center, Vishakapatnam Naval Dockyard, Mishra Dhatu Nigam Limited to name a few.

#### • Moderate financial risk profile

The financial risk profile is moderate marked by high net worth, moderate debt protection measures and low gearing. The net worth of UDPL stood at Rs.15.54 crore as on 31 March, 2018 as against Rs.12.36 crore as on 31 March, 2017. UDPL's gearing stood at 0.80 times as on March 31, 2018 against 1.34 times as on March 31, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) has also improved to 1.83 times as on 31 March, 2018 as against 2.10 times as on 31 March, 2017. Interest Coverage Ratio (ICR) improved to 3.16 times in FY2018 and 2.27 times in FY2017.

## Weaknesses

### • Working capital intensive nature of operations

UDPL has working capital intensive operations marked by Gross Current Assets (GCA) of 167 days in FY2018 as against 233 days in FY2017. The inventory holding period stood at 55 days in FY2018 as against 159 days in FY2017. The receivable period stood at 72 days in FY2018 as compared to 56 days in FY2017. However, the average bank limit utilisation stood at ~85 percent for the last three months ended January 2019.

### • Fluctuating Margins

The margins of UDPL are highly fluctuating. The operating margin for FY2018 declined to 15.14 per cent from 23.95 per cent for FY2017.

## Liquidity Position

UDPL has moderate liquidity marked by moderate net cash accruals as compared to its maturing debt obligations. UDPL generated cash accruals of Rs.1.63-4.69 crore during the last three years through 2017-18, while the maturing debt obligations were in the range of Rs.0.40 -0.50 crore over the same period. The cash accruals are estimated to remain around Rs.5.00-7.00 crore during 2019-21, while its repayment obligations are estimated to be around Rs.0.40 crore. UDPL maintains cash and bank balances of Rs.3.13 crore as on March 31, 2018. The current ratio stood moderate at 1.32 times as on March 31, 2018. Acuite believes that the liquidity of UDPL is likely to remain moderate over the medium term on account of no major repayments over the medium term.

## Outlook: Stable

Acuite believes that UDPL will maintain 'Stable' outlook over the medium term from its promoter's experience in the industry. The outlook may be revised to 'Positive' in case the company is able to register healthy revenues and sustain its profitability. Conversely, the outlook will be revised to 'Negative' in case of significant decline in the company's revenue profit margins and working capital cycle.

## About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	59.47	36.13	30.59
EBITDA	Rs. Cr.	9.00	8.65	5.30
PAT	Rs. Cr.	3.86	2.56	0.94
EBITDA Margin	(%)	15.14	23.95	17.34
PAT Margin	(%)	6.49	7.09	3.08
ROCE	(%)	29.11	24.45	27.31
Total Debt/Tangible Net Worth	Times	0.80	1.34	1.96
PBDIT/Interest	Times	3.16	2.27	1.70
Total Debt/PBDIT	Times	1.38	1.92	4.24
Gross Current Assets (Days)	Days	167	233	245

## 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>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.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	5.57	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	38.00	ACUITE A4
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	26.43	ACUITE A4

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### About Acuite Ratings & Research:

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