

## Press Release

### United Industries Automotive Plastic Private Limited

March 06, 2020



#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.33.00 Cr.
<b>Long Term Rating</b>	ACUITE BB / Outlook: Stable

\* Refer Annexure for details

#### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs. 33.00 crore bank facilities of United Industries Automotive Plastic Private Limited (UIAPPL). The outlook is '**Stable**'.

UIAPPL was incorporated in 2019 promoted by Mr. M Karthik Krishnan (managing director) and it is engaged in manufacturing of injection-molded plastic components, primarily for the automobile industry. UIAPPL's business profile is majorly to cater to the Tier 1's of Kia Motor namely Seoyon E-Hwa Summit Automotive Anantapur private Limited and Hyundai Transys India Private Limited.

#### Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of UIAPPL to arrive at the rating.

#### Key Rating Drivers

##### Strengths

- Extensive experience of the promoter and established customer relationships

UIAPPL promoted by Mr. M Karthik Krishnan (Managing Director) who has nearly two decades of experience in auto ancillary industry through his association with its group company United Industries Plastic Private Limited (UIPPL), which is in the same line of business since 1986. The promoters are supported by a team of experienced management personnel. UIAPPL has strong inhouse engineering and tool design capabilities to manufacture various varieties of injection-molded plastic components. UIAPPL is an established as a prominent supplier of automobile parts to Tier 1's of Kia Motor namely Seoyon E-Hwa Summit Automotive Anantapur private Limited, Hyundai Transys India Private Limited, SL Lumax Limited among others.

Acuité believes that with vast product portfolio, reputed clientele, experienced management, established operational track record will benefit the company going forward resulting in steady growth in the scale of operations.

##### Weaknesses

- Nascent stage of operations

The company has acquired 5 acres of land in Gudipalli, Ananthapur District, Andhra Pradesh. The plant has commenced its operations in July, 2019. The total capital expenditure for the new plant stands at Rs.63 crore, which was funded through a term debt of ~Rs.42 crore and the remaining through fresh equity and unsecured debt from promoters. Company has reported revenues of Rs.48 crore (Provisional) from July, 2019 to January, 2020.

Acuité believes that ability of the company to timely stabilize its operations in order to service its debt obligation in timely manner will be critical.

- Highly fragmented and competitive nature of the industry

The auto component industry is highly competitive due to competition from organised and unorganised players. The growth of auto component manufacturer would continue to be driven by volume growth of its key OEMs. Auto ancillaries with exposure to OEMs witnessing increased competition have limited scope for volume growth; further, it exerts pressure on the profitability also. Further, Acuité expects over 60 per cent of the revenues are from Kia Motors Corporation resulting in revenue concentration over the medium term; any slowdowns in the volumes of OEM's have a direct bearing on the revenue profile.

UIAPPL's revenue is exposed and tied to cyclical demand prospects of the automobile industry mainly four wheeler OEMs.

#### **Liquidity Position: Stretched**

Acuité expects the liquidity of UIAPPL is expected to be stretched over the medium term marked by net cash accruals to its maturing debt obligations. Net cash accrual is expected at Rs.7-9 crore each in fiscals 2021 and 2022 against maturing debt of about the same amount. However, liquidity should be supported by the expected enhanced working capital limits. Moreover, need based fund support from the shareholders is expected to support liquidity.

#### **Rating Sensitivities**

- Timely stabilization of operations leading to significant revenue and profitability improvements and net cash accruals of above Rs.7.00 Crore.
- Improvement in the overall financial risk profile and the working capital management
- Significant decline in revenue due to slowdown in the automobile industry.

#### **Material Covenants**

None

#### **Outlook: Stable**

Acuité believes that UIAPPL will continue to benefit over the medium term due to its experienced management, established market position, established relations with its customers and suppliers. The outlook may be revised to 'Positive' if early ramp-up in operations, profitability, efficient working capital management and strengthen financial risk profile. The outlook may be revised to 'Negative' if decline in profitability, stretch in working capital cycle, or any large, debt-funded capital expenditure weakens capital structure or any significant investments in group entities.

#### **About the Rated Entity - Key Financials**

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	-	-
PAT	Rs. Cr.	-	-
PAT Margin	(%)	-	-
Total Debt/Tangible Net Worth	Times	-	-
PBDIT/Interest	Times	-	-

FY2020 will be the first year of operations of the company.

#### **Any other information**

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Sector Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- 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/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	4.50	ACUITE BB / Stable
Term loans	26-09-2019	Not Applicable	31-10-2026	23.93	ACUITE BB / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.57	ACUITE BB / Stable

**Contacts**

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-4929 4041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-4929 4011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Bhavani Sankar Oruganti Senior Analyst - Rating Operations Tel: 040-4004 2327 <a href="mailto:bhavanisankar.oruganti@acuite.in">bhavanisankar.oruganti@acuite.in</a>	

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