



Press Release
UIC Udyog Limited
March 15, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	30.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	10.00	-	ACUITE A3 Assigned
Bank Loan Ratings	20.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	70.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on Rs.30.00 Cr. bank facilities and reaffirmed its short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs 20.00 Cr. bank facilities of UIC Udyog Limited (UICUL). Further, Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on Rs.10.00 Cr. bank facilities and assigned its short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs 10.00 Cr. bank facilities of UIC Udyog Limited (UICUL). The outlook is '**Stable**'.

Rationale for the rating reaffirmation

Rating reaffirmation considers the healthy financial risk profile of the company, strong parentage; operational and strategic support from the Laser Power Group. The rating further takes comfort from healthy networth and low gearing levels of the company. The company reported a moderation in revenues in FY2023 to Rs.122.49 Cr. from Rs.173.79 Cr. in FY2022. However, the revenue from core manufacturing activity improved significantly to Rs.85.25 Cr. in FY2023 from Rs.34.56 Cr. in FY2022. The operating profit margins declined to 4.42 percent in FY2023 from 8.36 percent in FY2022 on account of increase in scale of operations in the manufacturing segment, thereby resulting into increased power, employee, and other costs for the company.

The rating also considers the adequate liquidity position of the company, aided by adequate accruals. However, these strengths are partly offset by the working capital intensity in the operations, volatility in operating margin and susceptibility to any economic slowdown.

Going ahead, UICUL's ability to grow its manufacturing revenue and improve its profitability margins while maintaining healthy financial risk profile and avoiding further stretch in working capital operations.

About the Company

UIC Udyog Ltd (UIC) was incorporated in December 1995 by Kolkata based Jajodia family. The company is engaged in manufacturing of non-alloy steel wires. The company has two manufacturing units at Kalyani and Khanyan with an aggregate installed capacity of 60000 tonnes per annum for steel wire and 48000 tonnes per annum for galvanizing line. The

company has a power purchase agreement with Maharashtra Electricity Distribution Company Ltd for its 5 MW of wind mill capacity.
The company was facing labour and working capital issue in 2017 which had impacted its

overall financial performance. So the company was unable to meet financial & statutory obligations and the account turned into non-performance asset in 2018. In 2019, the company was admitted to NCLT. The company was acquired by Laser Power and Infra Pvt Ltd (rated at Acuité A+/Stable/A1+) and its key promoter, Mr. Deepak Goel in June 2021.

Unsupported Rating

ACUITE BB-/Stable

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of UICUL to arrive at the rating. Acuité has taken into account a strong level of support from the Laser Power and Infra Private Limited (LPIPL) given that LPIPL has a significant stake in UICUL, and also factoring in the operational linkage with LPIPL.

Key Rating Drivers

Strengths

Strong Parentage; Operational and Strategic Support

LPIPL (rated at Acuité A+/Stable/A1+) acquired 51 per cent stake in UICUL in June 2021 and continues to be its parent. The balance is held by Mr. Deepak Goel, the key promoter and his family. LPIPL is an established player in the cable and conductor segment and is promoted by Purushottam Dass Goel and his son Mr. Deepak Goel. Acuité believes that the long track record and rich experience of the new promoters' augur well for the relationship with their key suppliers and customers.

Acuité believes investment in UICUL continues to be a strategic investment for LPIPL in the form of backward integration. Moreover, LPIPL has strong financial flexibility as reflected from its robust financial risk profile and superior liquidity profile. LPIPL has also provided shortfall undertaking to UIC's banker.

Healthy financial risk profile

The financial risk profile of the company is healthy marked by healthy net worth, low gearing levels and average debt coverage indicators.

The net worth of the company stood healthy at Rs. 131.24 Cr. as on March 31, 2023. The net worth consists of 2 per cent optionally convertible debentures (investor: AJ Finance) with a 10-year tenure. The gearing of the company stood comfortable below unity at 0.14 times as on 31st March 2023 against 0.05 times as on 31st March 2022. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.25 times as on 31st March 2023. The debt protection metrics of the company declined significantly and stood moderate with Interest Coverage Ratio at 2.57 times as on 31st March 2023 as against 69.98 times in the previous year. The decline is due to reduced operating profits and increased interest cost. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.18 times as on 31st March 2023. The company has incurred capex for modernization cum upgradation of the manufacturing facility, to improve efficiency. Capex of ~Rs 6.54 Cr. was incurred in FY23 funded by internal accruals. Going ahead, the financial risk profile is expected to stay at healthy levels in absence of any major debt-funded capital expenditure over the medium term.

Weaknesses

Working capital intensive nature of operations

The working capital operations of the company are intensive in nature and further deteriorated in FY2023 marked by high Gross Current Assets (GCA) of 393 days on 31st March 2023 against 276 days in the previous year. The high GCA days are led by high debtor levels. The debtor period increased to 254 days as on March 31, 2023 from 190 days in the previous year. Majority debtors pertain to period prior to acquisition of the company by Laser Power Group in June 2021. The inventory days increased to 94 days in FY2023 against 47 days in FY2022. The company keeps an average inventory of 1.5-2 months. The creditor days stood at 39 days in FY2023 against 47 days in FY2022. The company gets a credit period allowed by its suppliers of up to 90 days.

Acuite believes that any elongation in the receivable period or further inventory build-up may lead to a further strain on the working capital profile and, hence, will remain a key monitorable.

Operations exposed to cyclicality in the stainless-steel industry and competition in export markets

Indian stainless steel wire manufacturers and exporters face stiff competition from Chinese, Taiwanese and Korean exporters in key markets like the EU and the US. In addition, the company's performance remains vulnerable to cyclicality in the steel sector as demand for steel depends on the performance of the end user segments such as construction and real estate. Owing to economies of scale, Chinese and Korean manufacturers dominate the markets in certain product segments, but Indian manufacturers enjoy a competitive advantage with their consistent compliance to quality specifications, higher quality and better after-sales services for specialised and high precision products.

Rating Sensitivities

- Growth in scale of operations with improvement in profitability
- Further elongation in working capital cycle.

Liquidity Position Adequate

The company has adequate liquidity position marked average cash accruals generation against no maturing debt repayment obligation in FY2023. The net cash accruals stood at Rs.3.42 Cr. in FY2023 against Rs.47.39 Cr. in FY2022. Going ahead, the company is expected to generate cash accruals in the range of Rs.3.26-4.20 Cr. over the medium term against estimated repayment obligation in the range of Rs.1.42-2.00 Cr. during the same period. The fund-based limit remains highly utilised at ~91 per cent over the six months ended December 2023. The current ratio stood strong at 4.12 times as on March 31, 2023. Acuite expects the liquidity position of the company will remain adequate over the medium term supported by its association with strong financial flexibility of the parent entity and improvement in cash flows owing to expected improvement in profitability over the medium term.

Outlook:Stable

Acuite believes the outlook on company will remain 'Stable' over the medium term backed by strong promoter support. The outlook may be revised to 'Positive' in case the company registers a substantial increase in its scale of operations and profit margins, while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues or in case of deterioration in the company's liquidity profile or weakening of linkages with LPIPL or further elongation of working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	122.49	173.79
PAT	Rs. Cr.	0.82	44.07
PAT Margin	(%)	0.67	25.36
Total Debt/Tangible Net Worth	Times	0.14	0.05
PBDIT/Interest	Times	2.57	69.98

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Jan 2023	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Proposed Cash Credit	Long Term	20.00	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	20.00	ACUITE BBB- Stable (Reaffirmed)
19 Nov 2021	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Assigned)
	Proposed Cash Credit	Long Term	20.00	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan (WC DL)	Long Term	20.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A3 Reaffirmed
RBL Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A3 Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A3 Assigned
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB- Stable Reaffirmed
RBL Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB- Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB- Stable Assigned
Indusind Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A3 Reaffirmed
RBL Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Dec 2028	Simple	10.00	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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