



**Press Release**  
**Uttam Cylinders Private Limited**  
**May 31, 2024**  
**Rating Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	87.11	ACUITE BB+   Stable   Downgraded	-
Bank Loan Ratings	12.89	-	ACUITE A4+   Downgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	100.00	-	-

**Rating Rationale**

Acuite has downgraded its long-term rating to '**ACUITE BB+**' (read as **ACUITE Double B Plus**) from '**ACUITE BBB**' (read as **ACUITE Triple B**) and short-term rating to '**ACUITE A4+**' (read as **ACUITE A Four Plus**) from '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.100.00 crore of bank facilities of Uttam Cylinders Private Limited (UCPL). The outlook is '**Stable**'.

**Rationale for Downgrade**

The downgrade in the rating reflects significant deterioration in the business and financial risk profile marked by dip in the operating income and profitability margins of the group. The operating revenue of the group deteriorated and stood at Rs.82.39 crore in FY2024 (Prov) as against Rs.167.78 Cr. in FY2023. The reason for significant deterioration from FY2022 was due to low demand of the product in the market as one of the reasons was because of the Russia-Ukraine war, most of the raw material (carbon fibre) was supplied to the defence segment as there was huge demand, due to which there was scarcity of the RM for the company which ultimately affected the manufacturing of the product. Further, due to which the operating margins also deteriorated and stood at (8.10) percent in FY2024 (Prov) as against 2.19 percent in FY2023 due to scarcity of the raw material (carbon fibre). The PAT margins of the group also reported losses which stood at -23.77 % in FY 24 (Prov) as against -3.11 % in FY23 due to high interest cost. The rating further takes into consideration intensive working capital operations, below average financial risk profile, stretched liquidity due to insufficient net cash accruals against its repayment debt obligations and also the utilization for the working capital facilities stood high around ~95% of the sanctioned amount. Also, the downgrade in the rating considers negative gearing, high Debt-EBITDA and high TOL/TNW.

However, the rating draws comfort from the extensive experience of the management, long track records of the operations and some reputed long standing customers namely Gujarat Gas Ltd., Indraprastha Gas Ltd., Sabarmati Gas, TATA Motors Ltd., Honeywell and among others.

## About Company

Uttam Cylinders Private Limited (UCPL) was incorporated in November 2008 by Mr. Karan Bhatia and Ms. Aanchal Bhatia. The company is one of the flagship entity of Uttam Group. UCPL is engaged in manufacturing of Bulk Gas Transport System for Compressed Natural Gas (CNG) and Hydrogen. In addition to this, the company is also involved in trading of high pressure gas cylinder, made of aluminum and carbon composite. The company also manufactures mobile refueling unit for CNG. The aluminum cylinder is utilized in medical and industrial field whereas the carbon composite is utilized in clean energy and aerospace field. The manufacturing facility for BGT system is located at Faridabad (Sector-6- Haryana).

## About the Group

Uttam Composite LLC in California, USA is engaged in the manufacturing of carbon composite cylinders. Approximately 60% of total production is purchased by the holding company i.e., Uttam Cylinders Private Limited for the manufacturing of the BGT Systems in their Faridabad unit in India.

## Unsupported Rating

Not Applicable

## Analytical Approach

### Extent of Consolidation

- Full Consolidation

### Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has considered the consolidated business and financial risk profile of Uttam Cylinders Private Limited and Uttam Composite LLC to arrive at the rating. The consolidation is based on common management, related line of business (backward integration) & financial linkages.

## Key Rating Drivers

### Strengths

#### Established track record of operations with experienced management

Uttam Cylinders Private Limited was incorporated in 2008 and thus has more than decade of existence in the industry. The company is managed by Mr. Karan Bhatia and Ms. Aanchal Bhatia, who also have experience of handling business ventures outside India.

Acuite believes that long track record of the company and experience of management is expected to benefit the company.

### Future Growth Prospects

The company with its associations with brands like TATA Motors and Reliance Industries in the hydrogen fuelled vehicle segment will enhance the growth prospects for it. The company had a collaboration with TATA Motors for the R & D project for the Hydrogen Fuelling Cell Commercial Vehicle and it (TATA Motors) proposes to buy 200 such systems in 5 years. (MOU-Signed)- Mou Signed for 200 systems for next 2- 3 years out of which order of 18 system is executed in FY2024. The group has also come up with one more system named 'Mobile Refuelling unit (MRU)' and supplied its 1<sup>st</sup> system in Hyderabad in FY2024. The global demand for hydrogen and carbon composite cylinders for its transportation is expected to increase in the medium term and hence the group's intent of finding technical investors for manufacturing of high-pressure capacity carbon composite cylinders will further fuel the group's growth prospect in the medium to long term. Going ahead, the company also has orders worth Rs.88.49 Cr. from reputed customers namely Gujarat Gas Ltd., Indraparstha Gas Ltd., Sabarmati Gas, TATA Motors Ltd., Honeywell and among others which will be executed in current financial year.

Hence, looking at their current collaboration with big brands for Hydrogen projects and future prospects of Hydrogen to be used as a form of 'Clean Energy', the future growth prospects look positive in the long run.

### Weaknesses

#### Significant deterioration in operations and profitability margins

The group recorded significant deterioration in the revenues which stood at Rs.82.39 Crore in FY 24 (Prov) as compared to Rs.167.78 Crore in FY 23 and Rs.229.09 Crore in FY22. The reason for significant deterioration in revenue from FY2022 was due to low demand of the product in the market. Also, one of the reasons is the Russia-Ukraine war, wherein most of the raw material (carbon fibre) was supplied to the defence segment as there was huge demand, due to which there was scarcity of the RM for the company which ultimately affected the manufacturing of the product.

Further, the EBITDA Margins of the group stood negative at -8.10% in FY 24 (Prov) as against

2.19 % in FY2023 because of dip in the operations due to scarcity of the raw material (carbon fibre). However, on standalone basis the same stood at 10.99% for Uttam Cylinders Private Limited in FY24 (Prov) as against 8.44% in FY23 & -159.60% for Uttam composites LLC in FY24 (Prov) as against -21.49 % in FY23. The group has reported a losses with negative profit margin at -23.77 % in FY 24 (Prov) as against -3.11 % in FY23 due to high interest cost. These margins are expected to improve in the future years as the Japanese company (Mitsubishi) will be coming up with new production line in USA by June 2025 which will be able to streamline the production of the carbon fibre to all plants ultimately increasing the operations further. Going forward, Acuité believes that the group's ability to register growth in revenue, while maintaining adequate profitability, will be key rating sensitivity.

### **Working capital intensive nature of operations**

The working capital nature of operations of the group are intensive marked by Gross Current Assets (GCA) of 308 days as on March 31, 2024 (Prov) as against 152 days as on March 31, 2023 primarily on account of high other current assets and higher inventory period. The inventory holding stood at 104 days as on 31st March, 2024 (Prov) as compared to 99 days as on 31st March, 2023. The average inventory holding period stood around 120-150 days. The debtor period stood at 29 days as on March 31, 2024 (Prov) as compared to 33 days as on 31st March 2023. The average credit period allowed to customers is of 45-60 days. Also, the creditor period stood at 18 days in FY2024 (Prov) as against 55 days in FY2023. The average credit period allowed by suppliers is ~60 days.

Acuite believes that the group's ability to restrict further elongation in its working capital cycle will be a key rating sensitivity.

### **Below Average financial risk profile**

The Group's financial risk profile is below average marked by negative net worth, negative gearing and poor debt protection metrics. The tangible net worth of the company stood at Rs. (10.99) Cr. as on March 31, 2024 (Prov) as against Rs.8.79 Cr. as on March 31, 2023. The total debt of the group stood at Rs.78.35 Crore, out of which Rs.20.64 Cr. is long-term, Rs.49.55 Cr. is short term and Rs.8.15 Cr. is the CPLTD as on March 31, 2024 (Prov). Gearing of the company stood at (7.13) times as on March 31, 2024 (Prov) as against 8.63 times as on March 31, 2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at (12.57) times as on March 31, 2024 (Prov) as against 13.32 times as on March 31, 2023. The debt protection metrics of the company is marked by Interest Coverage Ratio at (1.29) times as on March 31, 2024 (Prov) and Debt Service Coverage Ratio at (0.60) times as on March 31, 2024 (Prov) as against 0.73 times and 0.15 times as on March 31, 2023 respectively. Net Cash Accruals/Total Debt (NCA/TD) stood at (0.24) times as on March 31, 2024 (Prov) as against (0.06) times as on March 31, 2023.

Acuité believes that the group's ability to improve its net worth along with debt protection metrics will remain key rating sensitivity.

### **Rating Sensitivities**

- Improvement in revenue and profitability margins of the group
- Finding strategic partner and execution of CAPEX for hydrogen cylinder manufacturing in its subsidiary Uttam Composites LLC
- Any elongation of the working capital cycle leading to further deterioration in debt protection metrics and liquidity profile.

### **Liquidity Position Stretched**

The company's liquidity position is stretched marked by inadequate net cash accruals against its maturing debt obligations. Also, the average consolidated fund-based limit remained utilized at ~95 per cent over 12 months ended March 2024. Further, the group has net cash accruals in the range of Rs. [(18.44)- 4.34] Crore from FY 2022- 2024 (Prov) against its maturing debt obligations in the range of Rs.10.34-10.60 crore in the same tenure. In addition, it is expected to generate insufficient cash accruals against the maturing repayment obligations over the medium term. The working capital management of the group is intensive

marked by improved GCA days of 330 days in FY2024 (Prov) as against 152 days in FY2023. The group maintains unencumbered cash and bank balances of Rs.0.07 crore as on March 31, 2024 (Prov). The current ratio stands at 0.32 times as on March 31, 2024 (Prov) as against 0.32 times as on March 31, 2023.

Acuite believes that the liquidity of the group is likely to remain stretched in the near to medium term on account of significant debt repayment.

### **Outlook: Stable**

Acuite believes that the outlook on UCPL will remain 'Stable' over the medium term on account of its experienced promoter and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while maintaining the profitability and successful execution of project. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management or reduction in operating income or profitability of the company and delay in commencement of project.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	82.39	167.78
PAT	Rs. Cr.	(19.59)	(5.22)
PAT Margin	(%)	(23.77)	(3.11)
Total Debt/Tangible Net Worth	Times	(7.13)	8.63
PBDIT/Interest	Times	(1.29)	0.73

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

Not Applicable

### Any Other Information

None

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

### Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Mar 2023	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A2 (Reaffirmed)
	Bills Discounting	Long Term	10.00	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	70.00	ACUITE BBB   Stable (Reaffirmed)
27 Jan 2022	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A2 (Assigned)
	Bills Discounting	Long Term	10.00	ACUITE BBB   Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	70.00	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
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.89	ACUITE A4+   Downgraded ( from ACUITE A2 )
ICICI Bank Ltd	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BB+   Stable   Downgraded ( from ACUITE BBB )
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BB+   Stable   Downgraded ( from ACUITE BBB )
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BB+   Stable   Downgraded ( from ACUITE BBB )
ICICI Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A4+   Downgraded ( from ACUITE A2 )
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.11	ACUITE BB+   Stable   Downgraded ( from ACUITE BBB )
TATA Capital Financial Service Ltd.	Not avl. / Not appl.	Term Loan	31 Mar 2023	Not avl. / Not appl.	05 Jun 2027	Simple	25.00	ACUITE BB+   Stable   Downgraded ( from ACUITE BBB )

### \*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

1. Uttam Composite LLC
2. Uttam Cylinders Private Limited



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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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