

Press Release

UI VR Private Limited

July 14, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	26.90	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	3.10	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	30.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**Acuite A4+**' (read as **ACUITE A four plus**) to the Rs.30.00 Cr. bank facilities of UI VR private limited (UVPL). The outlook is 'Stable'.

Rationale for rating assigned

The rating assigned takes into consideration the established market position of the company in the persulfates segment. The ratings also draw comfort from long extensive experience of the promoters in the aforementioned industry and augmentation in business risk profile of the company. The rating also factors in the adequate liquidity position of the company. However, the rating is constrained by modest scale of operations, fragmented industry and no capex plans in medium term even though capacity utilization remains more than 85%.

About the Company

The company was originally set up as a partnership firm under the name of M/s Electrochem Industries by Shri Rajendra Patel, a technocrat entrepreneur, in the year 1988 with a small capacity of 10 TPM/120 TPA of Persulfates at Odhav. In 1998 Shri Viral Patel, son of Shri Rajendra Patel joined the business and the capacity of the plant was augmented to 60TPM in the year 2000. In the year 2001 the new company VR Persulfates Private Limited (VRP) was incorporated effectively to continue the existing running business of the firm in the hands of company. In the year 2005 VRP was made operational when it set up a new plant at its present location at Changodar on Ahmedabad-Rajkot Highway. In 2018 the company VRP entered into a joint venture with United initiators holding gmbh, which is a german company and was named as UI VR Private limited. The directors of the company are Mr. Rajendra C Patel, Mr. Viral Rajendra Patel, Andreas Gerhard Rutsch, and Mr. Eduard Hoozemans.

Analytical Approach

Acuité has considered the standalone financial and business risk profiles of UVPL to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations

The promoters of the company are in the business of manufacturing of persulfates since 1988 reflecting an established track record of operations for more than three decades in the said line of business. UVPL is a joint venture between VR persulfates private limited and United initiators holding gmbh, which is a German company and this synergy would help the company in creating a good impression in the international markets. Along with this the extensive experience of the promoters has helped the company to establish long and healthy relationships with its customers and suppliers over the years.

Acuité believes that the company will sustain its existing business profile over the medium term on the back of an established track record of operations with an experienced management.

Efficient working capital management

UI VR's working capital operations are efficient as evident from Gross Current Asset (GCA) of 169 days as on March 31, 2022(Prov) as against 123 days as on March 31, 2021. Compared to the peers the company is managing its working capital cycle efficiently. The inventory levels stood at 43 days for FY22(Prov) compared against 39 days for FY21. Subsequently, the debtor days increased and stood at 79 days for FY22(Prov) against 76 days for FY21. The creditor days of the company stood at 115 days for FY22(Prov) as against 135 days for FY21. The average utilization of the working capital limits of the company remained moderate at ~62 percent in last six months ended May' 22.

Acuité believes that the working capital management of the company will continue to remain moderate going ahead.

Weaknesses

Modest scale of operations

The revenue of the company stood at Rs.59.58 crore in FY22(Prov) compared to revenue of Rs.35.59 crore in FY21. This increase in revenue is due to the increase in the demand for the products along with higher price realization for the goods. The operating profit margin of the company declined to 23.57 percent in FY22(Prov) compared against 28.58 percent in FY21. This decline is on account of increase in raw material costs. The PAT margin improved from 6.09 percent in FY21 to 15.95 percent in FY22(Prov).

Acuité believes that the business risk profile of the company will improve in medium term. However it may remain stagnant on account of no capex plans by the company in medium term with more than 85% current capacity utilization.

Moderate financial risk profile

UI VR private limited has moderate financial risk profile marked by moderate networth, moderate coverage ratios and debt protection metrics. The tangible net worth stood at Rs.32.95 crore as on 31 March 2022(Prov) as against Rs.23.80 crore on 31 March 2021. The increase in the networth is due to the accretion of profits in reserves. The gearing level of the company improved to 0.72 times as on 31 March 2022(Prov) as against 1.28 times as on 31 March 2021. The total debt of the company comprised of long term debt of Rs.13.38 crore, unsecured loan of Rs.6.32 crore and short term debt of Rs.4.11 crore as on 31 March 2022(Prov). The coverage ratios of the company remained moderate with Interest Coverage Ratio (ICR) of 6.02 times for FY22(Prov) against 3.24 times for FY21. The Debt Service Coverage Ratio (DSCR) stood at 1.18 times for FY22(Prov) against 0.68 times for FY21. The total outside liabilities to tangible net worth (TOL/TNW) of the company improved and stood at 1.37 times for FY22(Prov) as against 1.73 times for FY21.

Acuité believes that the financial risk profile of the company is likely to remain moderate over

the medium term.

Fragmented industry

The industry is fragmented with the presence of both modest sized and large players across various product categories. This limits the bargaining power of UVPL with customers. However, the longstanding customer relationships moderates this risk to an extent. Import substitution provides a significant opportunity for the sector to scale up further. The raw materials are majorly imported from china resulting an exposure of the company to forex fluctuations.

Rating Sensitivities

Significant improvement in scale of operations and profitability margins
Any significant increase in the debt levels affecting the financial risk profile of the company

Material covenants

None

Liquidity position: Adequate

UI VR has adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.11.72 crore in FY22 compared against maturing debt obligations of Rs.9.62 crore over the same period. The cash accruals of the company are estimated to remain around Rs.14.25-14.84 crore during 2023-25 period while its matured debt obligations is estimated to be in the range of Rs.1.33-5.62 crore during the same period. The company reliance on working capital borrowings is also moderate marked by average utilization of working capital limits of ~62 percent during the last six months period ended May' 2022. The company does not maintain any unencumbered cash and bank balances as on March 31, 2022 and the current ratio also stood moderate at 1.26 times as on March 31, 2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals and the matured debt repayments over the medium term.

Outlook: Stable

Acuite believes that UVPL will maintain a stable "outlook" in the medium term and will continue to benefit over the medium term due to its experienced management and healthy demand of its products in the market. The outlook may be revised to "Positive" if the company demonstrates substantial and sustained growth in its revenues and/or operating margins from the current levels while maintaining its capital structure through equity infusion. Conversely, the outlook may be revised to "Negative", if company generates lower-than anticipated cash accruals thereby impacting its financial risk profile, particularly its liquidity

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	59.58	35.59
PAT	Rs. Cr.	9.51	2.17
PAT Margin	(%)	15.95	6.09
Total Debt/Tangible Net Worth	Times	0.72	1.28
PBDIT/Interest	Times	6.02	3.24

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>
- 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:

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	3.10	ACUITE A4+ Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB+ Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.90	ACUITE BB+ Stable Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	13.00	ACUITE BB+ Stable Assigned

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About Acuité Ratings & Research

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