



Press Release

UNIVERSAL IMPORT EXPORT AND HOSPITALITY PRIVATE LIMITED

September 25, 2023

Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	105.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	10.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	115.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**Acuite BBB-**' (read as **Acuite triple B minus**) and short-term rating of '**Acuite A3**' (read as **Acuite A three**) on the Rs. 115.00 Cr bank facilities of **Universal Import Export and Hospitality Private Limited (UIEHPL)**. The outlook is '**stable**'.

Rationale for rating assigned.

The rating assigned considers the established track record of the company for more than five decades in the export industry, which has in turn supported UIEHPL in establishing strong relationships with clients in the region where it exports, leading to repeated orders. The rating is further supported by moderate financial risk profile of the company marked by the moderate gearing and moderate debt protection metrics with debt-equity stood at 0.88 times as on 31 March, 2023 (Prov.) and DSCR stood at 2.74 times in 31 March, 2023 (Prov.). However, these strengths are partly offset by the customer and geographic concentration risk with almost 80 percent contribution from top 10 clients from Africa. Further, it considers the moderately intensive working capital cycle of the company with high receivable days at 131 days as on 31 March, 2023 (Prov.).

About the Company

Universal Import Export and Hospitality Private Limited (UIEHPL), a 100 percent export firm was started by Mr. Narayan Pagarani in 1972. Initially it was started as a proprietorship firm, which was later converted into Private Limited company in the year 2012. It was later merged with another group company - Universal Hotels Private Limited and was renamed as Universal Import Export and Hospitality Private Limited. Universal Import Export and Hospitality Private Limited is recognised as Two Star Export house by Director General of Foreign Trade, Govt. Of India.

The current directors of the company are Mr. Narayan J. Pagarani and his son Mr. Narendra N. Pagarani, having a cumulative experience of around 75 years in industry.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Universal Import Export and Hospitality Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Established Track record of the operations.

UIEHPL an export-oriented company, established in 1972 by Mr. Narayan Pagarani, having an experience of almost 5 decades. The revenue of the company has marginally increased to Rs.302.74 crore in FY23(Prov.) as against Rs.295.36 crore in FY2022. The company records its revenue from two business verticals i.e., Export business and the Hotel business. The main business vertical of the company is the export of local goods to various African countries. It is also involved in merchanting trade in which it purchases the product around the world and ships it directly to its buyers situated in Africa. The major products exported are the Fabrics, Coffee, Extra Neutral Alcohol, and various other products according to client specific needs. Further, UIEHPL has been able to establish a long and stable relations with its buyers over the years. The company has been in business with some of its top clients from last 15 years.

The other business vertical which is the hotel business contributes less than 3 percent to the overall company's revenue. The company owns 2 hotels in its name each in Mumbai and Nashik, having a capacity of around 45 beds per hotel with an average occupancy of 90% and 60% respectively.

Acuite believes that UIEHPL will continue to benefit from its vast promoter's experience in the export industry with established track record of operations and stable relationship with its clients over the years.

Moderate Financial Risk Profile

The financial risk profile of the company stood moderate, marked by moderate net worth, moderate gearing (debt-equity) and moderate debt protection metrics. The tangible net worth stood at Rs.67.38 crore as on 31 March 2023 (Prov.) as against Rs.64.3 crore as on 31 March 2022. The unsecured loan from the promoters is considered as quasi equity as per the undertaking given by the promoters to the Central Bank of India. The total debt of the company stood at Rs. 59.14 crore as on FY2023 (Prov.), which consist of short-term facilities. The company follows a conservative financial risk policy reflected through its peak gearing of 1 times as on 31 March 2022. The gearing (debt-equity) stood at 0.88 times as on 31 March 2023 (Prov.) as compared to 1.00 times as on 31 March 2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.21 times as on 31 March 2023 (Prov.) as against 1.3 times as on 31 March 2022. Interest Coverage Ratio stood at 3.67 times for FY2023 (Prov.) as against 5.68 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 2.74 times in FY2023 (Prov.) as against 4.86 times in FY2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.15 times for FY2023 (Prov.) as well as FY2022.

Acuite expects the financial risk profile of the company may continue to remain moderate on account of steady cash accruals with no debt-funded capex plans.

Weaknesses

Customer and Geographical concentration risk

UIEHPL has been exposed to concentration risk from the customers with around 80 percent of the revenue being constituted from the top 10 clients in FY23 (Prov.) as against 85 percent in FY2022. Along with this all of its customers are situated in African countries which are prone to economical risk. Any imbalances in the economy of this countries can harm the operations of UIEHPL. The company exports good to African countries such as Kano, Nigeria, Burkina Faso, Mali etc which have lower credit rating. None of the debtors of UIEHPL are backed by Letter of credit from the banks. So there remains a risk of bad debts.

Acuite believes that going forward customer concentration and geographical concentration risk is a key rating monitorable.

Moderate Working Capital Management

The working capital management of the company is moderate marked by GCA days of 156 days in FY23 (Prov.) as against 158 days in FY22. The company-maintained inventory levels of around 12 days in FY23 (Pov.) and in FY22. Generally, the inventory mostly consists for hotel business. As there is no inventory in export business. Subsequently, the debtor's collection period stood at 131 days in FY23 (Prov.) as against 132 days for FY22. Generally, the company gives a credit period of 150 to 180 days to its customers. As the time taken for the goods to reach the buyers destination take almost around 120 days. Furthermore, the creditor days stood at 28 days in FY23 (Prov.) as against 23 days in FY22. Generally, the company is

paying advance or upfront payments to most of its suppliers. As a result, the reliance on working capital limits is moderate, reflected by average utilization of around 75 percent for Central Bank of India Facilities and around 62 percent for Kotak Mahindra Bank in the last 08 months ended August' 2023.

Acuite expects the working capital operations of the company may continue to remain moderately intensive on account of higher debtor's days associated with the nature of business.

Rating Sensitivities

- Elongation of working capital cycle leading to stretch in liquidity.
- Deterioration in financial risk profile.
- Improvement in scale of operations while maintaining profitability.

All Covenants

Not Applicable

Liquidity Position

Adequate

The company's liquidity position is adequate, marked by moderate net cash accruals as against no major long-term debt obligations. The company generated sufficient net cash accruals in the range of Rs.6.49-8.63 Crore from FY2021-23. In addition, it is expected to generate sufficient cash accrual in the range of Rs.11 to 13 crore over the medium term with no debt obligations to pay. The working capital management of the company is moderate marked by GCA days of 156 days in FY2023 (Prov.) as against 158 days in FY2022. The reliance on working capital limits is moderate, reflected by average utilization of its working capital limits for Central Bank of India of around 75 percent and for Kotak Mahindra Bank of around 62 percent in last 08 months ending August' 2023. The company maintains unencumbered cash and bank balances of Rs.2.08 crore as on March 31, 2023 (Prov.).

Acuite believes the liquidity position of the company may continue to remain adequate with steady cash accruals and moderately intensive working capital management.

Outlook: Stable

Acuité believes the outlook on UIEHPL will continue to remain 'Stable' over the medium term backed by its long track record of operations and experienced management. The outlook may be revised to 'Positive' if the company is able to diversify its customers base with geographically segmented leading to significant improvement in scale of operations and the profitability margins while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of any risk in global supply chain and further increment in debtor's collection leading to stretch in liquidity and elongation of working capital cycle.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	302.52	289.18
PAT	Rs. Cr.	5.94	7.30
PAT Margin	(%)	1.96	2.52
Total Debt/Tangible Net Worth	Times	0.88	1.00
PBDIT/Interest	Times	3.67	5.68

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entitle: <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, 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

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE BBB- Stable Assigned
Kotak Mahindra Bank	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE BBB- Stable Assigned
Central Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A3 Assigned
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.00	ACUITE BBB- Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Parth Patel Analyst-Rating Operations Tel: 022-49294065 parth.patel@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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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