

Press Release

United Engineering Industries Private Limited

August 29, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as SMERA B plus) and short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs. 12.00 crore bank facilities of United Engineering Industries Private Limited. The outlook is '**Stable**'.

United Engineering Industries Private Limited (UEIPL) incorporated in 2011 is engaged in the heavy steel fabrication business. The company undertakes designing of heat exchangers, steel bridge girders among others for railways. It also offers installation and maintenance services and end-to-end solutions. The installed capacity is 80 metric tonnes per annum.

Key Rating Drivers

Strengths

- **Experienced management**

The company is led by Mr. J.V. John, Chairman with more than three decades of experience in heavy engineering and fabrication.

Weaknesses

- **Average financial risk profile marked by high gearing**

The financial risk profile is average marked by average networth of Rs. 4.19 crore as on 31 March, 2017 (Provisional) compared to Rs.4.14 crore as on 31 March, 2016. The coverage indicators are average with interest coverage ratio (ICR) of 1.31 times for FY2016-17 (Provisional) as against 1.40 times for FY2015-16. The gearing stood high at 3.42 times as on 31 March, 2017 (3.57 times as on March 31, 2016). The total debt of Rs. 14.33 crore as on 31 March, 2017 comprises Rs.3.34 crore of unsecured loans, Rs. 1.94 crore of long term secured loans and Rs. 8.39 crore of short term debt. The total outside liabilities against tangible networth (TOL/TNW) stood at 5.93 times as on 31 March, 2017 (Provisional) as against 5.76 times in the previous year.

- **Working capital intensive operations**

The operations are working capital intensive due to high inventory days for both - raw material and work in progress. The gross current asset stood at 365 days for FY2016-17 (Provisional) as against 405 days in FY2015-16. The total inventory stood at 283 days for FY2016-17 compared to 316 days for FY2015-16.

- **Moderate scale of operations**

The scale of operations is moderate with revenue of Rs. 25.39 crore for FY2016-17 (Provisional) as against Rs.22.18 crore in FY2015-16. As a result, the company has low bargaining power with clients.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the company.

Outlook: Stable

SMERA believes that UEIPL will maintain a stable outlook over the medium term on account of its established presence in the steel trading industry and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and cash accruals while maintaining its working capital cycle along with infusion of fresh funds by promoters. Conversely, the outlook may be revised to 'Negative' in case the business risk profile weakens resulting in lesser than expected revenues or profitability and lower-than- expected net cash accruals leading to stretch in the working capital cycle.

About the Rated Entity - Key Financials

In FY2016-17(Provisional), the company reported profit after tax (PAT) of Rs.0.05 crore on operating income of Rs.25.39 crore, compared to PAT of Rs.0.09 crore on operating income of Rs.22.18 crore in the previous year. The net worth stood at Rs.4.19 crore as on 31 March, 2017 against Rs.4.14 crore a year earlier.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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	8.50	SMERA B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smerra.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smerra.in
Hina Gupta	

Senior Analyst - Rating Operations
Tel: 02267141320
hina.gupta@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.*