

Press Release

United Engineering Industries Private Limited

May 22, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.55 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 12.55 crore bank facilities of United Engineering Industries Private Limited (UEPL). The outlook is '**Stable**'.

Madhya Pradesh based UEPL, 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.

Analytical Approach

Acuite has considered the standalone business and financial risk profile for UEPL to arrive at the rating.

Key Rating Drivers

Strengths

Long track record of operations and experienced management

UEPL is led by Mr. J.V. John (Chairman) with more than three decades of experience in heavy engineering and fabrication. The company has a presence of more than a decade in the industry. The promoters' experience has helped them to cater to repeated orders from railways. The major revenues, 40-50 percent, are through Indian railways.

Weaknesses

Below average financial risk profile

The financial risk profile is below average marked by low net worth, high gearing and average debt protection metrics.

UEPL has tangible net worth of Rs.4.56 crore as on March 31, 2018 as against Rs.4.26 crore as on March 31, 2017. The gearing of the company stood at 2.87 times as on March 31, 2018 as against 3.39 times as on March 31, 2017. The total debt of Rs.13.08 crore as on March 31, 2018 consists of long term borrowings of Rs.1.25 crore, unsecured loan from Director/ promoter of Rs.3.19 crore, working capital borrowings of Rs.7.99 crore and current portion of long term debt of Rs.0.66 crore as on March 31, 2018.

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 302 days for FY2018. This is mainly dominated by the inventory days of 247 for FY 2018.

Liquidity Position:

The liquidity position is moderate marked by moderate net cash accruals to its maturing debt obligations. The company's operations are working capital intensive as marked by high GCA days of 302 for FY 2018; mainly dominated by high inventory days of 247 for FY 2018. The current ratio of UEPL stood at 1.28 times as on March 31, 2018.

Outlook: Stable

Acuite believes that UEPL will maintain a 'Stable' outlook over the medium term on account of its established presence in the 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 lower-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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	25.45	21.45	22.18
EBITDA	Rs. Cr.	2.71	2.48	2.63
PAT	Rs. Cr.	0.31	0.13	0.09
EBITDA Margin	(%)	10.66	11.58	11.84
PAT Margin	(%)	1.20	0.59	0.40
ROCE	(%)	12.23	10.43	10.62
Total Debt/Tangible Net Worth	Times	2.87	3.39	3.57
PBDIT/Interest	Times	1.56	1.33	1.40
Total Debt/PBDIT	Times	4.74	5.76	5.56
Gross Current Assets (Days)	Days	302	356	370

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of the instrument/facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
31-Oct-2018	Cash Credit	Long Term	8.50	ACUITE B+/ Stable (Withdrawn)
	Proposed Long term loan	Long Term	1.50	ACUITE B+/ Stable (Withdrawn)
	Bank guarantee	Short Term	2.00	ACUITE A4 (Withdrawn)
29-Aug-2017	Cash Credit	Long Term	8.50	ACUITE B+/ Stable (Assigned)
	Proposed Long term loan	Long Term	1.50	ACUITE B+/ Stable (Assigned)
	Bank guarantee	Short Term	2.00	ACUITE A4 (Assigned)

***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	8.00	ACUITE BB- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.75	ACUITE BB- / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.80	ACUITE A4+ (Assigned)

Contacts

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About Acuité Ratings & Research:

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