

Press Release

06 March, 2017

Universal Agro Chemical Industries

Rating Assigned

Total Bank Facilities Rated *	Rs.6.50 Cr
Long Term Rating	SMERA BB-/Stable

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 6.50 crore bank facilities of Universal Agro Chemical Industries. The outlook is '**Stable**'.

Established in 1973, Universal Agro Chemical Industries (UACI) is a partnership concern engaged in the manufacturing of pesticides, micronutrients, organic fertilisers and plant growth enhancers. Founded by Mr. Kamal Kumar Roy, the management includes Mr. Subhomoy Roy and Ms. Sushmita Roy who possess experience of more than four decades in the micro nutrients and fertiliser industry. The manufacturing facilities are located at Shirakole, West Bengal and Nagpur, Maharashtra.

Key Rating Drivers

Strengths

• Experienced and qualified management

Established in 1973, UACI is a partnership concern that manufactures pesticides, micronutrients, organic fertilisers and plant growth enhancers. The management possesses extensive experience in the industry.

• Moderate financial risk profile

The moderate financial risk profile is marked by healthy debt protection metrics, moderate gearing and low net worth base. The interest coverage and debt service coverage ratios stood at 3.29 times and 2.78 times in FY2016. The gearing stood at 1.27 times in FY2016 as compared to 1.70 times in FY2015. The external debt mainly consists of cash credit facility. The net worth is low and stood at Rs.4.07 cr as on 31st March 2016.

Weaknesses

• Modest scale of operations

The modest scale of operations is marked by operating income of Rs.26.65 cr in FY2016 as compared to Rs.20.70 cr in FY2015. However, the same has grown at a CAGR of 27.84 per cent during FY2014-16. The revenue stood at Rs.30 cr (gross) till December 2016 and the same is expected to touch around Rs.35 cr (gross) in FY2017.

• Working capital intensive operations

The operations are working capital intensive marked by debtors of 99 days and 118 days in FY2016 and FY2015. The inventory stands at 90 days and 47 days in FY2016 and FY2015 respectively. The creditors stood at 181 days and 134 days in FY2016 and FY2015 respectively. This translates into gross current assets of 205 days in FY2016 against 180 days in FY2015.

• Vulnerability to regulatory changes and agro climatic risks

The firm is vulnerable to regulatory changes and agro climatic risks associated with the fertiliser industry.

Analytical Approach

SMERA has taken a standalone view of the financial and business risk profiles of the firm.

Outlook: Stable

SMERA believes that UACI will maintain a stable outlook in the medium term while benefitting from its experienced management and moderate financial risk profile. The outlook may be revised to Positive if UACI scales up operations while maintaining profitability and improving the financial risk profile. Conversely, the outlook may be revised to Negative in case the firm registers lower-than-expected growth in revenues or if the working capital cycle further deteriorates.

About the Rated Entity - Key Financials

For FY2016, UACI reported profit after tax (PAT) of Rs.0.62 cr on total operating income of Rs.26.65 cr, as compared with PAT of Rs.0.30 cr on total operating income of Rs.20.70 cr in FY2015. The tangible net worth stands at Rs.4.07 cr in FY2016 as compared to Rs.2.44 cr in FY2015.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.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	6.50	SMERA BB- / Stable

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ABOUT SMERA

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