

Press Release

Uniproducts India Ltd.

April 22, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action
Long term Bank Facilities	180.00*	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
Short term Bank Facilities	20.00	IVR A4+ (IVR A four plus)	Assigned
Total	200.00 (Two hundred crore)		

**Rs. 21.00 crore of facilities are on proposed basis*

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Uniproducts India Ltd. (UIL) derives comfort from experienced promoters with long track record of operations, healthy relationship with reputed clientele, healthy order book position indicating comfort in near term revenue generation and equity infusion from promoter indicating intent to support the business. The rating strengths are partially offset by thin profitability, leveraged capital structure owing to its capital-intensive nature of business, vulnerability to regulatory changes and weak financial risk profile of the company.

Key Rating Sensitivities

Upward factors

Turnaround in the operating performance of the company with significant increase in the income along with improvement in profitability leading to improvement in overall financial risk profile particularly liquidity and improvement in capital structure

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Downward factors

Deterioration in income and/or fall in profit margins impacting the liquidity, deterioration in the capital structure, any adverse regulatory conditions might lead to downgrade in the rating

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with long track record of operations

Operating since 1986, UIL has a long track record of over three decades. UIL is mentored by Dr. Ashwan Kapur, managing director of the company. Dr. Kapur hold the doctorate in Textile Engineering from University of Leeds. He holds the experience of over three decades in non-woven textile industry.

Healthy relationship with reputed clientele

UIL has established a healthy relationship of over three decades with the market leaders in the automobile industry namely Maruti Suzuki India Limited (MSIL), Toyota Kirloskar, Honda Siel Cars, Tata Motors and others. Further, UIL currently acts as sole manufacturer of non-woven fabrics and NVH (Noise, Vibration and Harshness) components for MSIL's Gujarat plant.

Healthy order book position indicating comfort in near term revenue generation

UIL has reported order book of size Rs. 313.08 crore from renown leading automobile manufactures namely Maruti Suzuki India limited, Toyota Kirloskar, Honda Siel and others indicating near- term revenue generation.

Equity infusion from promoter indicating intent to support the business

Promoters have infused the equity of Rs. 5.00 crore in FY20 indicating the intent to support the business as and when required.

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Key Weaknesses

Thin profitability

The financial risk profile of the company remained moderate marked by its thin profitability on account of capital-intensive nature of business along with regular maintenance capital expenditure leading to high interest cost and repayment obligation on term loan borrowing. The company is operating at an EBITDA margins in the range of 10%-11% in the past three years. However, its PAT margin remains thin in the range of 1% to 3% for the aforesaid period on account of its high interest expense attributable to its leverage capital structure. However, gross cash accruals of the company remained adequate to serve the interest and debt obligations.

Leveraged capital structure owing to its capital-intensive nature of business

Capital structure of the company consists of working capital facilities and term loan borrowings. UIL has incurred capital expenditure for establishing Gujarat plant and also on regular maintenance of existing facilities through term loan borrowing. The borrowing over past three fiscals has led to moderation in capital structure. UIL has reported the overall gearing ratio at 2.27x as on March 31, 2019 against 1.57x as on March 31, 2017.

Vulnerability to regulatory changes

The automobile industry is going through transition phase due to implementation of BS-VI norms which led to decline in automobile sales. However, revival of industry growth is expected from the second quarter of the next financial year (July 2020) with the effects of it expected to be visible from the third quarter of the year. The liquidation of BS-IV stock and the building of new inventory with BS-VI norms will give some upside to production and sale.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

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Liquidity: Stretched

UIL's liquidity profile is expected to remain stretched on account of its tightly matched expected gross cash accrual vis a vis its debt repayment obligation in FY21 and FY22. Further, the company has a limited gearing headroom on account of its leveraged capital structure attributable to its capital-intensive nature of business. Further, the average working capital utilization remains at 88% for last 12 months ended at Feb, 2020 indicating limited liquidity buffer. However, the promoters have infused Rs. 5 crore in FY20 to support the business which imparts comfort.

About the Company

Incorporated in year 1982 as International Spinners private limited, later changed to public limited company in 1984. Later in 1985 company was renamed to Uniproducts India Limited (UIL). UIL commenced the operations in 1986 with the manufacturing of needle punched non-woven consumer products such as carpets, blankets and other consumer products. Later, in 1992 company diversified operations into automotive sector through the manufacturing of moulded carpets and trims to renowned automobile companies. Henceforth, UIL diversified into manufacturing of other automotive components used for acoustic and thermal insulation of automobiles also known as NVH (noise, vibration and harshness). UIL products are sold under the renowned brand name of "UNITEX".

Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	338.71	343.01
EBITDA	35.22	34.30
PAT	7.53	3.78
Total Debt	136.48	170.08
Tangible Net worth	71.39	75.04
EBITDA Margin (%)	10.40	10.00
PAT Margin (%)	2.21	1.09
Overall Gearing Ratio (x)	1.91	2.27

*Classification as per Infomerics' standards

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Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term loan**	Long Term	130.00	IVR BB+/Stable	-	-	-
2.	Cash Credit*	Long Term	50.00	IVR BB+/Stable			
3.	LC/BG	Short Term	20.00	IVR A4+			

*Rs. 5.00 crore of facilities are on proposed basis

** Rs. 16.00 crore of facilities are on proposed basis

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Mr. Ravi Malik Tel: (011) 24655636 Email: rmalik@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most

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trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit*	-	-	-	50.00	IVR BB+/Stable
Long Term Bank Facilities- Term Loan**	-	-	July, 2029	130.00	IVR BB+/Stable
Short Term Bank Facilities- LC/BG	-	-	-	20.00	IVR A4+

*Rs. 5.00 crore of facilities are on proposed basis

** Rs. 16.00 crore of facilities are on proposed basis