



Press Release

Uttam Industrial Engineering Private Limited September 22, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Proposed Bank Facilities- Long Term	5.00	IVR BB/ Stable (IVR Double B with stable outlook)
2	Bank Facilities- Short Term	25.00*	IVR A4 (IVR A Four)
	Total	30.00	

*Includes proposed facility of Rs. 3.00 crore

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Uttam Industrial Engineering Private Limited derives comfort from its experienced promoters, established presence in the engineering of sugar equipment and machinery and execution of turnkey projects, reputed clientele, moderate order book position reflecting satisfactory short-term revenue visibility, comfortable financial risk profile marked by comfortable capital structure and healthy debt protection metrics. The rating also considers fluctuating scale of operations, susceptibility of operating margin to volatility in input prices albeit comfort due to presence of escalation clause. The ratings also consider its cyclical nature of the sugar business.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement on profitability leading to improvement in cash accruals on a sustained basis.
- Sustenance of the capital structure and improvement in debt protection metrics
- Timely debt servicing

Downward Factors

- Delays in debt servicing
- Decline in scale of operations
- Moderation in the capital structure



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

Experienced Promoters

Mr. Ranjan Adlakha (Managing Director) has a vast experience in executing turnkey projects mainly for sugar industries. Mr. Adlakha is the promoters of the company and holds majority of the shareholding at 81% shares of the company. Mr. M.K. Sharma (Executive Director) has a vast experience in executing turnkey projects mainly for sugar industries. He has contributed significantly towards the development of the organizations.

Established presence in the engineering of sugar equipment and machinery and execution of turnkey projects

UIEPL is an established player in the engineering of sugar equipment and machinery and execution of turnkey projects having experience of over four decades. UIEPL has an operational track record of more than four decades where the company has been engaged in design, consulting, engineering of sugar equipment and execution of turnkey projects.

Reputed clientele

The Company has built up a strong clientele over the years. Some of the reputed clients served by the company are The Panipat Co-operative Sugar Mills, The Jind Co-operative Sugar Mills, DSCL Sugar. Presence of reputed clientele reduces the counter party default risk.

Moderate order book position reflecting satisfactory short-term revenue visibility

UIEPL is engaged engineering of sugar equipment and machinery and execution of turnkey projects.. The company has an order book of Rs.153 crore as on July 27, 2020. Furthermore, Total order book comprises of almost double the revenue of FY2020 revenues providing short-term revenue visibility

Comfortable financial risk profile marked by comfortable capital structure and healthy debt protection metrics

The company has comfortable capital structure marked by low long-term debt in its capital structure and lower dependence on external borrowings. The overall gearing ratio stood at 0.41 times as on March 31, 2020 (0.68 times as on March 31, 2019). Total indebtedness



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marked by TOL/ANW also remained comfortable at 2.02x as on March 31, 2020. The debt protection metrics of the company remained healthy marked by its strong interest coverage ratio and Total debt to GCA.

Key Rating Weaknesses

Fluctuating scale of operations

The total operating income of the company witnessed a fluctuating trend for the past three financial years with reporting a decline of 36% in FY20 (Provisional) and a growth of 42% in FY19 driven by fluctuation in receiving the orders from clients.

Susceptibility of operating margin to volatility in input prices albeit comfort due to presence of escalation clause

Major raw materials used by the company is steel and labour charges which are usually sourced from large players at proximate distances. The input prices are generally volatile and consequently the profitability of the company remains susceptible to fluctuations. However, a presence of escalation clause in most of the contracts imparts comfort to an extent.

Cyclical nature of the sugar business

The key parameters of the sugar supply in the domestic market for a given sugar season are typically controlled by factor like domestic sugar production, opening sugar stock levels and global sugar production and sugar imports. The industry is highly cyclical in nature because of variations in the sugarcane production in the country with typical sugar cycles lasting three five years, as production adjusts to the fall in prices, which in turn leads to lower supplies, price increase and higher production.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Stretched



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The liquidity ratios of the company remained stressed with the current ratio at 0.85x and the quick ratio at 0.68x as on March 31, 2020 (Provisional). The expected repayments of the company are Rs. 2.15 crore, Rs. 3.31 crore and Rs. 3.31 crore as against the gross cash accruals of Rs. 7.26 crore, Rs. 8.11 crore and Rs. 8.50 crore in FY21, FY22 and FY23.

About the company

Uttam Industrial Engineering Private Limited (UIEPL) was established in the year 1983.

UIEPL is engaged in engineering of equipment and machinery and execution of turnkey projects for the sugar industry.

The company is promoted by Mr. Ranjan Adlakha – Managing Director & Mr. M.K. Sharma – Executive Director who is full time paid independent Director.

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	121.42	77.96
EBITDA	13.69	9.20
PAT	8.48	5.20
Total Debt	17.39	12.62
Tangible Net worth*	25.73	30.53
EBITDA Margin (%)	11.27	11.80
PAT Margin (%)	6.79	6.50
Overall Gearing Ratio (x)^	0.68	0.41

* Loan from directors, related parties and group companies has been treated as Quasi-equity

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.	Bank Guarantee	Short Term	19.00	IVR A4	-	-	-



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		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
2.	Letter of Credit	Short Term	3.00	IVR A4	-	-	-
3.	Proposed Short Term Facility	Short Term	3.00	IVR A4			
4.	Proposed Long Term Bank Facilities- Term Loan	Long term	5.00	IVR BB/Stable			

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.

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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 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
Short Term Bank Facilities- Bank Guarantee	-	-	-	19.00	IVR A4
Short Term Bank Facilities- Letter of Credit	-	-	-	3.00	IVR A4
Proposed Short Term Bank Facilities	-	-		3.00	IVR A4
Proposed Long Term Bank Facilities- Term Loan				5.00	IVR BB/Stable