

January 31, 2025

Unique Forgings (India) Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Fund-based – Cash Credit	20.00	25.00	[ICRA]BBB(Stable); reaffirmed and assigned for enhanced amount
Fund-based – Term Loan	5.51	25.71	[ICRA]BBB(Stable); reaffirmed and assigned for enhanced amount
Non-fund Based – Bank Guarantee	3.00	3.00	[ICRA]A3+; reaffirmed
Unallocated Limits	1.49	1.29	[ICRA]BBB(Stable)/[ICRA]A3+; reaffirmed
Total	30.00	55.00	

* Instrument details are provided in Annexure-I

Rationale

The ratings reflect ICRA's expectation that Unique Forgings (India) Private Limited (UFPL) will maintain its credit profile, supported by a steady growth in revenues and margins over the medium term. However, the company is expected to record a muted revenue growth in FY2025 owing to subdued demand from the end-user industries. In FY2024, UFPL's operating margin moderated to 7.8% from 9.0% in FY2023 owing to high manufacturing costs and limited growth in realisations. While margins are expected to remain at similar levels in FY2025, they are expected to improve, going forward, on the back of savings in power costs with likely commissioning of 5-MW solar power plant in Q1 FY2026. The ratings draw comfort from the vast experience of the promoters in the forging industry, its extensive track record of operations along with its track record of repeat orders from reputed customers. The company's debt metrics are expected to remain adequate despite some moderation in the near term owing to debt-funded capex towards the solar power plant. The ratings, however, remain constrained by the modest scale of operations, vulnerability of UFPL's profit margins to fluctuations in raw material prices and associated overheads, customer and sectoral concentration risks as the company generates a major share of its revenue from the automobile sector, which is cyclical in nature. The ratings also consider the stiff competition that the entity is exposed to, given its presence in the forging business, which has players from both organised as well as unorganised segments, resulting in pricing pressure.

The Stable outlook on [ICRA]BBB rating reflects ICRA's opinion that UFPL will record a steady growth in revenues and earnings in the near-to-medium term, aided by savings in power costs post commissioning of its solar power plant and healthy demand from its established customer base.

Key rating drivers and their description

Credit strengths

Established track record of promoters in the forging industry – The company has an established track record of operations of more than three decades in the forging industry. The operations of the company are managed by its key promoters who have vast experience in this industry through their association with the company since its formation as a partnership firm in 1987.

Reputed customers with proven track record of repeat orders – The company has enjoyed established relationships with its customers which are large, reputed original equipment manufacturers (OEMs), and has also received repeat orders from them

over the years. This signifies a healthy long-term association, UFPL's acceptable product quality and adequate revenue visibility, going forward.

Adequate capital structure; although some moderation in coverage metrics likely due to debt-funded capex – The company's capital structure remains comfortable, marked by a gearing of 0.5 times as on March 31, 2024. The coverage metrics remained comfortable, despite moderation due to lower profitability, with interest coverage of 3.7 times and TD/OPBDITA of 2.1 times in FY2024 (Interest cover of 4.3 times and TD/OPBDITA of 1.9 times in FY2023). Further, the capital and capitalisation metrics are likely to moderate to an extent in the near term, on account of debt-funded capex envisaged, however, the same are expected to remain adequate.

Credit challenges

Moderate scale of operations – The company's scale of operations remains moderate with revenues of Rs. 183.0 crore in FY2024. However, the company registered a steady CAGR of 10% in the last 5 years ending in FY2024 on the back of enhancement in capacities and adoption of advanced technologies, resulting in better product acceptance. Although the growth has been steady on a smaller base, at an absolute level, it continues to be moderate.

Susceptibility of profitability to raw material prices and exposure to stiff competition – The company's profitability is exposed to the fluctuation in raw material prices and inflation in other overhead costs. Accordingly, the operating profit margin moderated to ~7.8% in FY2024 from 9.0% in FY2023 owing to higher manufacturing expenses while realisation remained muted. The company's ability to pass on the rise in its input costs and protect against any sharp erosion in margins remains critical from the credit perspective as the company operates in a highly fragmented industry, which limit margins and scale.

High customer concentration risk and working capital intensive nature of business – The company is exposed to customer concentration risk as the top five customers contributed 60-66% to its total revenue over the years. Although the concentration risk improved in FY2024, it remained high at ~50% in FY2024. It is further exposed to the inherent cyclicity associated with the automotive industry, which contributes 55-60% to its total revenue.

Liquidity position: Adequate

The company's liquidity position is adequate, supported by steady earnings from operations and adequate unutilised lines of credit. The company is expected to generate retained cash flow of Rs. 5-10 crore per annum and had Rs. 12 crore buffer in its working capital limits as on December 31, 2024, against repayment obligations of Rs. 1.40-4.00 crore in FY2025-26. The company is expected to incur a capex of Rs. 24-25 crore in FY2025 and Rs. 3-4 crore in FY2026, which would be funded by likely term loan of Rs. 18.75 crore and internal accruals.

Rating sensitivities

Positive factors – ICRA could upgrade UFPL's ratings if there is a sustained improvement in its scale of operations, backed by healthy capacity utilisation levels and profitability while maintaining its debt protection metrics and liquidity on an overall basis.

Negative factors – Pressure on UFPL's ratings may arise if there is any substantial decline in the scale of operations or a material decline in profitability, resulting in a deterioration in coverage metrics. Any large debt-funded capex or a stretch in the working capital cycle, adversely impacting its liquidity profile and other key credit metrics, may also exert pressure on the ratings. Specific credit metric, which may result in a negative rating trigger, includes an interest coverage below 3 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company.

About the company

Unique Forgings (India) Private Limited (UFPL) was incorporated as a partnership firm in 1987 and was reconstituted as a private limited company in 2007. UFPL is promoted by Sherasiya family and is engaged in the business of manufacturing and supplying various industrial forged parts and machined components (close die, open forging and UPSETTER forging), foundry components (investment casting), high-tensile fasteners (for high-pressure, high/low temperature application). The manufacturing facility of the company is located at Anand, Gujarat. In FY2024, the company's total installed capacity increased to 25,000 MTPA, up from 21,500 MTPA in FY2023.

Key financial indicators (audited)

	FY2023	FY2024
Operating income	179.5	183.0
PAT	7.4	5.9
OPBDIT/OI	9.0%	7.8%
PAT/OI	4.1%	3.2%
Total outside liabilities/Tangible net worth (times)	0.9	0.7
Total debt/OPBDIT (times)	1.9	2.1
Interest coverage (times)	4.3	3.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes, and amortisation

Status of non-cooperation with previous CRA

CRA	Status	Date of Release
CRISIL	CRISIL B /Stable (ISSUER NOT COOPERATING)/CRISIL A4 (ISSUER NOT COOPERATING)	October 22, 2024

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	January 31, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Fund based Cash Credit	Long term	25.00	[ICRA]BBB (Stable)	Oct 23, 2023	[ICRA]BBB (Stable)	Feb 23, 2023	[ICRA]BBB (Stable)	Feb 08, 2022	[ICRA]BBB (Stable)
Fund based – Term Loan	Long term	25.71	[ICRA]BBB (Stable)	Oct 23, 2023	[ICRA]BBB (Stable)	Feb 23, 2023	-	Feb 08, 2022	-
Non-Fund Based Bank Guarantee	Short term	3.00	[ICRA]A3+	Oct 23, 2023	[ICRA]A3+	Feb 23, 2023	[ICRA]A3+	Feb 08, 2022	[ICRA]A3+
Unallocated	Long term/ Short term	1.29	[ICRA]BBB (Stable)/ [ICRA]A3+	Oct 23, 2023	[ICRA]BBB (Stable)/ [ICRA]A3+	Feb 23, 2023	-	Feb 08, 2022	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund based – Cash Credit	Simple
Fund based – Term Loan	Simple
Non-fund Based – Bank Guarantee	Very Simple
Unallocated Limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	25.00	[ICRA]BBB (Stable)
NA	Term Loan	2021	NA	2029	25.71	[ICRA]BBB (Stable)
NA	Bank Guarantee	NA	NA	NA	3.00	[ICRA]A3+
NA	Overdraft Limit	NA	NA	NA	1.29	[ICRA]BBB (Stable)/ [ICRA]A3+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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