



Unicast Autotech Private Limited

	Amount Outstanding	Rating Action
Bank facility	Rs. Crore	September 2014
Term loan	40.0 (same as earlier)	Rating revised from [ICRA]BBB (SO) (Stable) to [ICRA]BB+(SO) (Stable)
Cash credit	5.0 (same as earlier)	Rating revised from [ICRA]BBB (SO) (Stable) to [ICRA]BB+(SO) (Stable)
Non-fund based facility	5.0 (same as earlier)	Rating revised from [ICRA]A3+ (SO) to [ICRA]A4+(SO)
Unallocated	1.0 (same as earlier)	Rating revised from [ICRA]BBB- (Stable)/[ICRA]A3 to [ICRA]BB+ (Stable)/[ICRA]A4+

ICRA has revised the long-term rating for Rs. 45.0 Crore bank facilities of Unicast Autotech Private Limited (UAPL) from [ICRA]BBB (SO)/ (pronounced ICRA triple B SO) to [ICRA]BB+ (SO)/ (pronounced ICRA double B plus SO). Also, the short-term rating has been revised from [ICRA]A3+ (SO) (pronounced ICRA A three plus (SO)) to [ICRA]A4+ (SO) (pronounced ICRA A four plus SO) for the Rs. 5.0 Crore bank facilities of UAPL[†]. The rating for the unallocated amount of Rs. 1.0 Crore has been revised from [ICRA]BBB-/ [ICRA]A3 (pronounced ICRA triple B minus/ ICRA A three) to [ICRA]BB+/[ICRA]A4+ (pronounced ICRA double B plus/ICRA A four plus). The outlook on the long term rating is 'Stable'. The letters SO in parenthesis suffixed to a rating symbol stand for Structured Obligation. An SO rating is specific to the rated issue, its terms, and its structure. SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned.

The ratings have factored in the Corporate Guarantee extended by Kiran Udyog Private Limited (KUPL) for the Rs. 50.0 Crore bank facilities of UAPL. The rating revision of UAPL factors in the downgrade of the ratings of bank facilities of KUPL from [ICRA]BBB (Stable)/ [ICRA]A3+ to [ICRA]BB+ (Stable)/ [ICRA]A4+.

For arriving at the rating, ICRA has factored in the operational and financial linkages between KUPL and its group company, Unicast Autotech Private Limited (UAPL) both being managed by the same promoter and engaged in similar line of business, with major customer being Honda Motorcycle and Scooter India Private Limited (HMSI) for both of them. The consolidated financial risk profile (of KUPL and its group company, UAPL) remains stretched characterized by high gearing, adverse debt protection metrics and weak cash flows from operations; nevertheless, promoters are supporting the business through equity infusion and interest free unsecured loans.

The rating revision of UAPL also takes in to account the lower than expected profitability of UAPL in 2013-14 as well as deterioration in the consolidated financial risk profile of KUPL and UAPL. Also, UAPL remains exposed to high client concentration risk with supplies limited to a single customer (HMSI), mitigated to an extent by the strong market position of HMSI in the two-wheeler industry. With the project being funded with a high debt to promoter contribution ratio, UAPL required additional funding support in form of equity/unsecured loans from promoters in 2013-14 to fund the incremental capex and the same is expected to continue till the operations at UAPL stabilize.

ICRA takes into cognizance the operational and financial support from promoters (KUPL), strong share of business with Honda Motorcycle and Scooter India (HMSI) in the addressable product range and incremental business expected in the future for existing as well as new models which is likely to support improvement in capacity utilization over the medium term. The ability to scale up operations and improve profitability in order to generate healthy cash flows would be key rating sensitivities going forward.

[†]“For complete rating definition please refer to the ICRA website www.icra.in or any of the ICRA Rating Publications”



Company Profile

Incorporated in 2012, UAPL is a 51:49 joint venture (JV) between KUPL and KMAPL. The JV was formed to undertake the manufacture and supply of aluminium die cast engine components to HMSI for its two-wheeler models. The commercial operations started in August 2013. The promoters of KMAPL (the JV partner) are close relatives of the promoters of KUPL. KMAPL has been roped in as a financial investor in the JV. All business related decisions are expected to be taken by the KUPL management. UAPL will only manufacture the requisite auto components and will be paying royalty to KUPL for the technology and business support. The Board of UAPL comprises four directors- two from each JV partner. The production facility at Narsapura, Bangalore is spread over an area of 20,000 sq. m., the land being owned by the company.

About the JV partners

Kiran Udyog Private Limited (KUPL)(Guarantor)

Incorporated in 2000, Kiran Udyog Private Limited (KUPL) (rated [ICRA]BB+(Stable)/A4+) is engaged in the manufacture of aluminium die cast components largely for the automotive industry. The company operates through five manufacturing units, three of which are located in Manesar (two being owned and one rented), one in Rudrapur and one in Bawal. In 2000, KUPL started its business with supplies to HMSI and Sona Koyo Steering Systems Limited (SKSSL). The other main customer of the company is Suzuki Motorcycle India Private Limited (SMIPL) to whom KUPL provides components like brake drums, wheel assemblies etc. While the company has been adding new customers to its portfolio, its concentration on select clients as mentioned above remains high.

Karni Mata Auto Private Limited (KMAPL)

KMAPL is a financial investor in the JV with two representatives on the board of UAPL.

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For further details please contact:

Analyst Contacts:

Mr. Subrata Ray (Tel. No. +91 22 61796386)
subrata@icraindia.com

Relationship Contacts:

Mr. Vivek Mathur (Tel. No. +91-124-4545310)
vivek@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: **9871221122**

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: **9821086490**

Email: shivakumar@icraindia.com

1802, 18th Floor, Tower 3,
Indiabulls Finance Centre,
Senapati Bapat Marg,
Elphinstone, Mumbai 400013,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: **+91 9903394664**

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: **989986490**

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-
79-25569231

Pune**Mr. L. Shivakumar**

Mobile: **989986490**

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills
Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500