

August 18, 2017

Uni-Tech Automation Private Limited

Summary of rated instruments

Instrument#	Rated Amount (Rs. crore)	Rating Action
Long Term – Fund-based Term Loan	12.00	[ICRA]BB+(Stable) ISSUER NOT COOPERATING*; Rating moved to the ‘Issuer Not Cooperating’ category
Long Term – Fund-based Cash Credit	10.00	[ICRA]BB+(Stable) ISSUER NOT COOPERATING*; Rating moved to the ‘Issuer Not Cooperating’ category
Long Term/Short Term - Unallocated	9.00	[ICRA]BB+(Stable)/[ICRA]A4+ ISSUER NOT COOPERATING*; Rating moved to the ‘Issuer Not Cooperating’ category
Total	31.00	

*Issuer did not co-operate; based on best available information

#Instrument details are provided in Annexure-1

Rating action

ICRA has moved the ratings for the Rs. 31-crore¹ bank facilities of Uni-Tech Automation Private Limited (“the company/ UAPL”)² to the ‘Issuer Not Cooperating’ category. The rating is now denoted as: “[ICRA]BB+ (Stable)/[ICRA]A4+ ISSUER NOT COOPERATING”

Rationale

The rating action is based on the best available information. As part of its process and in accordance with its rating agreement with **Uni-Tech Automation Private Limited**, ICRA has been trying to seek information from the company to undertake a surveillance of ratings; but despite multiple requests, the company’s management has remained non-cooperative. In the absence of the requisite information, ICRA’s Rating Committee has taken a rating view based on the best available information. In line with SEBI’s circular no. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, the company’s rating is now denoted as: “[ICRA]BB+(Stable)/[ICRA]A4+ ISSUER NOT COOPERATING”. The lenders, investors and other market participants may exercise appropriate caution while using this rating, given that it is based on limited or no updated information on the company’s performance since the time it was last rated.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Key rating drivers

Credit strengths

- **Long established promoter experience of more than two decades in the electronics industry** – The company's promoter; Mr. Bhujbal is a Diploma holder in Electrical Engineering and has more than two decades of experience in the electronics industry.
- **Established relationships with reputed clients** - The company has long established relations of more than 20 years with Cummins India Limited (Cummins), Kirloskar Oil Engines Limited (KOEL), and other reputed players in the automotive sector.
- **Single source supplier to Cummins-** The company is single source supplier to Cummins for both control panels and wiring harness for generators in the range of 2 KVA to 1000 KVA and has ~50-60% business share with KOEL.
- **Diversified revenue stream with continued focus on new products and applications; in-house R&D team for development of new products** - In November 2014, UAPL had diversified into manufacturing of copper cables with set up of manufacturing unit at Shirwal, Satara. This has helped the company to diversify its revenue stream along with backward integrate for its wiring harness and control panel division for their cable requirement. The company has separate in-house R&D team for the development of new products in the electronic equipments division. These newly developed products such as controllers and sensors typically have higher margin as compared to conventional control panels and wiring harness segments owing to their criticality and expertise required to manufacture them.

Credit weaknesses

- **High working capital intensity** - The working capital intensity of the company is high owing to high inventory resulting from higher lead time for some products from recent product diversification. The extended receivable cycle also increases the working capital intensity; nonetheless, the strong credit profile of its key customers mitigates the counterparty risk.
- **High client concentration risk** - The client concentration risk is high with the top two customers contributing ~65-75% of sales though mitigated to certain extent by established relations with reputed OEMs enabling repeat orders. The revenue growth of UAPL is closely tied to the market share as well as performance of its key customers as well as to the inherent cyclicity of end user industries.
- **Moderate scale of operations and sizeable scheduled debt repayments** - The RoCE has remained suppressed on back of recent capex along with marginal OI growth in FY2016. The company has sizeable scheduled debt repayments, however, some support is derived from unsecured loans from promoters constituting the capital structure.
- **Profitability remains exposed to fluctuations in raw material prices** - The primary raw materials required by the company include mild steel sheets, copper and various electronic devices which are vulnerable to price fluctuations. The company has price escalation agreement with customers which mitigates the raw material price risk to some extent and prevents the margins and profitability of the company.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company:

Incorporated in 1991, UAPL is primarily engaged in the manufacturing of control panels and wire harness for generators. The company also manufactures cables and other electronic products such as Auto Mains Failure (AMF) controller, DG controller, Integrated Engine controller, speed sensors and level sensors & indicators etc. The company has two manufacturing units located at Shivane, Pune and Shirwal, Satara in Maharashtra. The company is promoted by Mr. Bharat B. Bhujbal and Mrs. Archana B. Bhujbal.

Key Financial Indicators (Audited)

	FY2014	FY2015	FY2016
Operating Income (Rs. crore)	41.24	56.46	57.62
PAT (Rs. crore)	-2.00	1.20	1.31
OPBDIT/ OI (%)	7.51%	12.04%	11.18%
RoCE (%)	1.69%	10.32%	10.33%
Total Debt/ TNW (times)	1.80	1.67	1.30
Total Debt/ OPBDIT (times)	7.83	3.60	3.22
Interest coverage (times)	1.17	2.42	2.43
NWC/ OI (%)	30.08%	28.40%	26.54%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past year:
Table:

S. No.	Instrument	Current Rating (FY2018)			Chronology of Rating History for the past year
		Type	Amount Rated (Rs. crore)	Date & Rating	Date & Rating in FY2016
				Aug 2017	February 2016
1	Cash Credit	Long Term	10.00	[ICRA]BB+ (Stable) ISSUER NOT COOPERATING*	[ICRA]BB+ (Stable)
2	Term Loan	Long term	12.00	[ICRA]BB+ ISSUER NOT COOPERATING*	[ICRA]BB+ (Stable)
3	Unallocated Limits	Long Term/ Short term	9.00	[ICRA]BB+ (Stable)/ A4+ ISSUER NOT COOPERATING*	[ICRA]BB+ (Stable)/ [ICRA]A4+

*Issuer did not co-operate; based on best available information

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

ISIN No	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Cash Credit	-	-	-	10.00	[ICRA]BB+(Stable) ISSUER NOT COOPERATING*
-	Term Loan	-	-	2017	12.00	[ICRA]BB+ (Stable) ISSUER NOT COOPERATING*
-	Unallocated Limits	-	-	-	9.00	[ICRA]BB+ (Stable)/ [ICRA]A4+ ISSUER NOT COOPERATING*

Source: UAPL

*Issuer did not co-operate; based on best available information

Contact Details

Analyst Contacts

Subrata Ray

+022-6114 3408

subrata@icraindia.com

Suprio Banerjee

+022-6114 3443

supriob@icraindia.com

Preeti Kumaran

+022- 6169 3356

preeti.kumaran@icraindia.com

Aprajita Singh

+020- 6606 9925

aprajita.singh@icraindia.com

Relationship Contact

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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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: +91 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: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
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: +91 9845022459

Email: jayantac@icraindia.com

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

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 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: +91 9821086490

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: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

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