Uniproducts (India) Limited

November 30, 2018

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	85.75	85.75	[ICRA]BBB-(Stable); reaffirmed
Fund-based Facilities	45.00	45.00	[ICRA]BBB-(Stable); reaffirmed
Non-fund Based Facilities	20.00	20.00	[ICRA]BBB-(Stable)/[ICRA]A3; reaffirmed
Total	**150.75**	**150.75**	

**Instrument details are provided in Annexure-1*

Rationale

The rating reaffirmation considers UIL's strong operational profile as an established supplier of moulded carpets, and noise, vibration and harshness (NVH) products. The rating notes that the company continues to enjoy a healthy share of business with the domestic passenger vehicle (PV) original equipment manufacturers (OEMs) - Maruti Suzuki India Limited (MSIL), Toyota Kirloskar Motors Limited (TKML), Tata Motors Limited (TML) and Honda Siel Cars (India) Limited (Honda) among others.

Over the past two years, UIL has gained business with higher content per vehicle (in select cases) for new products under the development of OEMs, which coupled with the healthy demand outlook for the PV industry in India reflects favourable revenue growth prospects. While majority of the company's revenues are from floor carpets and NVH products, UIL remains focused on diversifying its product offerings and has developed fender linings and three-dimensional car mats in its lifestyle division, which is expected to support its revenue growth prospects. Aided by its backward integration initiatives to set up a felt-manufacturing line, the company's operating profitability improved to 10.2% in FY2018 from 6.6% in FY2016. With UIL expected to realise the complete benefits of its backward integration initiatives over the next two years, the operating profitability is expected to improve from the current levels.

Although UIL has established relations with select OEMs, it remains exposed to client concentration risk with MSIL and its ancillaries, accounting for more than 50% of the company’s revenues in FY2018. The risk is, however, partially mitigated by the company’s strong share of business across models and the consistent business awards by MSIL to UIL over the years. Besides client concentration, UIL also remains exposed to significant segment concentration risk with nearly all the revenues being derived from the PV segment over the years.

The ratings remain constrained on account of the moderate financial risk profile, characterised by high gearing and moderate debt coverage indicators as well as return metrics. Over the past two years, the total debt increased as a result of capex incurred (~Rs. 47 crore in FY2018) towards enhancing its manufacturing capabilities and support (Rs. 15.0 crore in FY2018) extended to Group companies. The company's promoter Group has forayed into the hospitality segment and set up a luxury resort-cum-spa in Rishikesh (Uttarakhand) called ‘Taj Rishikesh Resort & Spa, Uttarakhand’, which is expected to be launched in December 2018. While UIL provided financial support for the hotel project in the past (Rs. 20.5-crore loans and advances till October 31, 2018), the management has guided that there would be no further major investment (beyond a total of Rs. 24-crore) by UIL in the hotel project going forward. Further, the company's moderate capex plan of ~Rs. 30.0 crore in FY2019 for enhancing its plants' capacities besides maintenance purposes, which would also entail additional borrowings, may moderate the coverage indicators in the near term. Nevertheless, the expected cash accruals on the full ramp-up of capacity would aid the company in improving its financial risk profile in the medium term.

Outlook: Stable

ICRA expects UIL to continue to benefit from its strong position as a supplier of car carpets and NVH products for domestic PV OEMs, which coupled with new business awards, support revenue growth prospects. The outlook may be revised to Positive if a substantial improvement in revenue, profitability and customer diversification leads to a significant improvement in its return indicators and financial risk profile. The outlook may be revised to a Negative if cash accruals are lower than expected, or if the company extends further financial support to its Group companies that impacts the company's liquidity and financial risk profile.

Key rating drivers

Credit strengths

Established business relationships and healthy share of business with leading PV OEMs - UIL is a leading supplier of moulded carpets and NVH products to various leading OEMs in the domestic PV segment. Besides healthy supplies to its primary customer MSIL, the company also caters to the demand of TKML, TML and Honda among others. Further, the company maintains a healthy share of business with these OEMs over the years, benefitting from their strong product engineering and development capabilities.

Improving content per vehicle, aided by new business gains, provides revenue visibility - Over the past two years, UIL has gained business for new products in the new model launches by the customer catered, thus leading to an improvement in the content/vehicle. The additional business gained by the company for the new product launches of the various OEMs, coupled with the maintenance of a healthy share of the business is likely to aid in healthy revenue growth prospects over medium term.

Credit challenges

Moderate client concentration risk - Although the company supplies to various customers, it remains dependent on MSIL and its ancillaries to an extent, who constituted more than 50% of its total revenues in FY2018. The risk is, however, partially mitigated by the company's strong share of business and the consistent business awards for various product supplies to MSIL. Additionally, the company's focus on diversifying its customer profile is likely to help moderate the client concentration levels over the medium term.

Moderate financial risk profile characterised by high gearing and moderate coverage indicators - UIL has a moderate financial risk profile, characterised by an increased gearing of 1.8 times as on March 31, 2018 and moderate debt coverage indicators. UIL reported a Total Debt/OPBITD of 3.7 times, DSCR of 1.6 times and interest coverage of 3.1 times in FY2018. Going forward, while the company has capex plans of ~Rs. 30.0 crore in FY2019 towards enhancing the capacities of different plants and maintenance purposes. This, coupled with the incremental investments in its Group company (Rs. 9.0 crore in FY2019) would result in elevated debt levels. Notwithstanding the increased borrowings and moderation in the coverage profile, ICRA expects the financial risk profile to improve over the medium term.

Financial support to Group company in hospitality segment - The company's promoter Group has forayed into the hospitality segment and is setting up a luxury resort-cum-spa in Rishikesh (Uttarakhand) called 'Taj Rishikesh Resort & Spa, Uttarakhand'. UIL will extend Rs. 24.0 crore (Rs. 20.5 crore extended till October 31, 2018) to help fund the hotel project. While the management has guided that there would be no further investment in the hotel project going forward, ICRA would continue to monitor UIL's support to the entity or other Group companies and analyse the impact on the financial risk profile.

Liquidity Position:

The liquidity profile of the company is expected to remain stretched over the near term in line with capex planned by the company and scheduled repayments of long-term debts besides investments in the group company. Nonetheless, availability of cash balances (Rs. 9-crore as on March 31, 2018), sanctioned term loans (Rs. 30-crore) and expected cash accruals during the year provides comfort to an extent.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Component Manufacturers

About the company:

Incorporated in 1982, Uniproducts (India) Limited (UIL) manufactures textile NVH parts, moulded carpets, trims and roof-liner fabrics for automobile original equipment manufacturers (OEMs). The company's manufacturing facilities are in Rewari (Haryana), Chennai and Gujarat. UIL also trades in imported products, including tufted wall-to-wall carpets, laminate floorings and carpet tiles, which find application in the hospitality and residential sectors.

The company started as International Spinners Private Ltd. to manufacture non-woven products. Subsequently in FY2003, UIL took over M/s Uni NVH Auto Pvt. Ltd. (formerly H. P. Pelzer India Pvt. Ltd.), a Pelzer Group (Germany) company with reasonable presence in the global automobile sector, to mark its entry in the business of polyurethane foam and resin felt-based products.

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	284.0	337.9
PAT (Rs. crore)	2.8	7.5
OPBDIT/ OI (%)	10.0%	10.2%
RoCE (%)	11.6%	13.3%
Total Debt/ TNW (times)	1.5	1.8
Total Debt/ OPBDIT (times)	3.3	3.7
Interest Coverage (times)	2.4	3.1

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Current Rating (FY2019) Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. Crore)	Date & Rating November 2018	Chronology of Rating History for the past 3 years: Date & Rating in FY2018 November 2017	Date & Rating in FY2017 -	Date & Rating in FY2016 August 2015
1	Term Loans	Long Term	85.75	78.93	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	-	[ICRA]BBB- (Stable) (Suspended)
2	Fund-based Facilities	Long term	45.0	-	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	-	[ICRA]BBB- (Stable) (Suspended)
3.	Non-fund Based Facilities	Long Term/ Short Term	20.0	-	[ICRA]BBB- (Stable)/ [ICRA]A3	[ICRA]BBB- (Stable)/ [ICRA]A3	-	[ICRA]BBB- (Stable)/ [ICRA]A3 (Suspended)
4	Unallocated Limits	Long Term/ Short Term	-	-	-	-	-	[ICRA]BBB- (Stable)/ [ICRA]A3 (Suspended)

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 Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan 1	May-14	NA	Nov-21	3.50	[ICRA]BBB- (Stable)
NA	Term Loan 2	May-15	NA	Jun-29	14.80	
NA	Term Loan 3	May-15	NA	Feb-21	9.00	
NA	Term Loan 4	Jan-16	NA	Feb-23	7.13	
NA	Term Loan 5	Aug-16	NA	Dec-23	7.00	
NA	Term Loan 6	Apr-17	NA	Mar-24	14.91	
NA	Term Loan 7	Oct-17	NA	Aug-25	23.82	
NA	Term Loan 8	May-18	NA	Apr-26	5.59	
NA	Fund-based Facilities	-	-	-	45.00	[ICRA]BBB- (Stable)
NA	Non-fund Based Facilities	-	-	-	20.00	[ICRA]BBB- (Stable)/ [ICRA]A3

Source: UIL

Annexure-2: List of entities considered for consolidated analysis – Not applicable

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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.

For more information, visit www.icra.in

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