

JANUARY 30, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES OF UAL INDUSTRIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	111 (reduced from 116.37)	CARE A (Single A)	Reaffirmed
Short-term Bank Facilities	85 (enhanced from 60)	CARE A2+ (A Two Plus)	Reaffirmed
Total Facilities	196		

Rating Rationale

The ratings continue to draw strength from experience of the promoters, UAL Industries Limited's (UAL's) satisfactory track record, strategic plant locations, established market position in eastern India's asbestos market, lack of cost-effective substitute products and comfortable leverage ratios. The ratings also take into cognizance of improvement in financial performance of UAL in H1FY15 (refers to the period April 1 to September 30). The ratings are however, constrained by, susceptibility of profitability margins to the prices of the key raw material, decline in the PBILDT & PAT during FY14, major dependence on rural economy having high correlation with monsoon & harvesting, intense competition in the industry and regulatory and environmental issues surrounding asbestos. The ability of the company to improve its profitability margin, maintain comfortable capital structure, derive desired benefits out of expansion projects and possible impact of any adverse regulations/restrictions with respect to the use of asbestos will remain the key rating sensitivities.

Background

UAL, incorporated in 1974, is currently under the ownership of Mr A. K. Saraf and his family. The company is engaged in the manufacturing of asbestos cement sheets (corrugated and plain) and moulded accessories with aggregate manufacturing capacity of 430,000 metric tonnes per annum (MTPA) at three locations. The company has also started manufacturing Autoclaved Aerated Concrete (AAC) blocks with an installed capacity of 300,000 cubic meters per annum. The company markets its products under the brand name 'Konark'. UAL is one of the leading Asbestos Cement Corrugated (ACC) sheet manufacturers in eastern India.

UAL earned PBILDT of Rs.32.2 crore and PAT (after deferred tax) of Rs.12.5 crore on net sales of Rs. 447.8 crore in FY14 (refers to period the April 1 to March 31). During the 6 months ended September 30, 2014, UAL has achieved PAT of Rs.18.90 crore on a turnover of Rs.245 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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