

Ucal Polymer Industries Limited

November 24, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	4.75 (Reduced from 6.00)	CARE BBB-; Stable	Reaffirmed
Short Term Bank Facilities	0.20 (Reduced from 2.00)	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of UCAL Polymer Industries Limited (UPIL) continue to factor in the presence in the rubber segment and high precision specialty plastics segment characterized by healthy profitability margins and a comfortable capital structure. The rating also factors in expected diversification to third parties and OEMs in next 1-2 years.

The ratings are, however, constrained by moderation in scale of operation for last four years, cyclical nature of the auto industry, product obsolescence risks and investment in its US-based subsidiary.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in product profile and diversification of customer base
- Increase in scale of operations above Rs.75 crores

Negative factors

- Any large debt funded capex resulting in moderation of capital structure.
- Further deterioration in the scale of operations

Analytical approach: Standalone

Outlook: Stable

The 'stable' outlook reflects that the company is expected to maintain its comfortable capital structure and moderate operational performance over the medium term.

Detailed description of the key rating drivers:

Key strengths

Established track record and experienced parent

Ucal Polymer Industries Limited (UPIL) was established to reduce UCAL Limited (formerly known as UCAL Fuel systems) (UCAL) - dependence on imported plastic and rubber components. Over the years, UCAL's reliance on imports has reduced with corresponding increase in sourcing from UPIL. Beginning FY11, UPIL has started supplying products to other tier-I suppliers and OEMs. For FY23, UPIL has generated around 91% of its revenue by supplying its product to the parent UCAL (PY: 91%). UPIL has benefited by UCAL's strategy to transfer the business of rubber and plastic components from other vendors to UPIL.

Comfortable capital structure and coverage indicators

In the absence of any large debt funded capex during the last 7 years, the capital structure of UPIL remains comfortable. While the company has no long term debt and the level of working capital borrowings is relatively small, the overall gearing stood comfortable at 0.08x as on March 31, 2023 (PY: 0.11x). The PBILDT/ Interest stood at 11.20x in FY22 (PY: 8.66x) while the Total Debt/GCA stood at 1.18x (PY: 2.04x).

Key weaknesses

Modest scale of operation; with expected diversification to third parties and OEMs.

The total operating income of UPIL has been stagnant for last four years due to lower-than-expected take-off of new products like E-carburetor, EASV etc after implementation of BS VI norms. However, the group has been testing various new products and steps are taken to commercialise them in next 1-2 years. The commercialisation of these products will aid the UPIL's sales. As a sequential process, UPIL is in talks with various OEMs and third parties for manufacturing of new components in similar time

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

frame. The PBILDT margin has been healthy and stood at 12.08% for FY23 as against 10.80% for FY22 majorly due to implementation of cost control measures in inventory management and overheads.

Investment in subsidiary company

During FY11, UPIL has invested about Rs.14.05 crore in its subsidiary company in USA namely UPIL USA Inc which was incorporated to serve as a marketing arm of UPIL in the US with a view to focus on export market. The company was established with the intention of making it the marketing arm for the group, but the same did not materialise. The adjusted networth (after adjusting investment in subsidiary) is at Rs. 40.46 crores as on March 31, 2023 and the adjusted gearing is at 0.11x times as on March 31, 2023.

Evolving technological changes

After Implementation of BS VI emission norm, UCAL Limited (Major customer of UPIL) had developed new Products (E- Carb / E- ASV) for 2-W to comply the emission norms. Hence, the transition to BS VI compliant products did not involve major investments for UPIL. However, these products didn't take off as expected. To substitute this, on group level UCAL are testing new products and success commercialization of them will aid the sales of UPIL. UPIL's product being generic in nature which can be customized to the requirements of the automotive industry, UPIL foresees foraying into new products to cater other OEM players and replacement market.

Liquidity: Adequate

The company does not have any term debt obligations. The average working capital cycle has increased from 103 days in FY22 to 118 days in FY23 due to extended collection period given to UCAL Limited. The average working capital utilization is around 75% for six months ended September 2023. The cash and Bank Balance stood at Rs. 0.03 crores as on March 31, 2023 (PY: 0.08 crores).

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Auto Ancillary Companies](#)

[Manufacturing Companies](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

Ucal Polymer Industries Limited (UPIL) is a wholly-owned subsidiary of Ucal Limited (UCAL) and part of the Ucal group. UPIL is a Tier II supplier engaged in the manufacturing of high precision specialty plastic components and rubber moulded parts which find application in auto components such as carburetors, fuel injection equipment, air suction valve, etc. UPIL's manufacturing facilities are located in Puducherry and Bawal (Haryana). During FY23, UPIL generated 91% of its income from UCAL.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1 FY24 (Prov.)
Total operating income	44.29	43.39	19.39
PBILDT	4.78	5.24	3.38
PAT	1.52	2.84	NA
Overall gearing (times)	0.11	0.08	NA
Interest coverage (times)	8.66	11.21	19.88

A: Audited; Prov: Provisional; NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	4.75	CARE BBB-; Stable
Non-fund-based - ST-Letter of credit		-	-	-	0.20	CARE A3

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT*	4.75	CARE BBB-; Stable	-	1)CARE BBB-; Stable (03-Mar-23)	1)CARE BBB-; Stable (22-Mar-21) 2)CARE BBB-; Stable (03-Apr-20)	1)CARE BBB-; Stable (22-Mar-21) 2)CARE BBB-; Stable (03-Apr-20)
2	Non-fund-based - ST-Letter of credit	ST**	0.20	CARE A3	-	1)CARE A3 (03-Mar-23)	1)CARE A3 (08-Feb-22) 2)CARE A3 (03-Mar-23)	1)CARE A3 (22-Mar-21) 2)CARE A3 (03-Apr-20)
3	Non-fund-based - ST-Bank Guarantee	ST**	-	-	-	-	-	1)Withdrawn (22-Mar-21) 2)CARE A3 (03-Apr-20)

*Long term; **Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities – Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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