Ucal Polymer Industries Limited

January 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	4.75	CARE BB+; Stable	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Short Term Bank Facilities	0.20	CARE A4+	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) had previously rated the bank facilities of UCAL Polymer Industries Limited (UPIL) as 'ISSUER NOT COOPERATING'. UPIL has now cooperated by providing the necessary information for undertaking the review.
The ratings assigned to the bank facilities of UPIL continue to be constrained by moderation in scale of operation and profitability margin, elongation in the receivables position, cyclical nature of the auto industry, product obsolescence risks and investment in its US-based subsidiary. The ratings, however, continue to draw comfort from the long-standing presence in the high precision auto component segment and with satisfactory debt coverage indicators.

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 ₹70 crores.

Negative factors

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

Analytical approach: Standalone

Outlook: Stable
CARE Ratings Limited (CARE Ratings) believes that the company's will maintain its operational performance over the medium term.

Detailed description of key rating drivers:

Key Weaknesses

Moderate and stagnant scale of operation

Scale of operation has been moderate over the past few years due to the reduced demand from UCAL Limited (formerly known as UCAL Fuel Systems Limited) (UCAL), which faced lower demand for its products due to BSVI norms. UPIL's total operating income (TOI) moderated by 9% in FY24 to ₹39.54 crores, primarily due to reduced pricing for certain components. However, in the first eight months of FY25, UPIL's revenue improved to ₹29 crores. UCAL is expected to secure new orders from Tier I original equipment manufacturers (OEMs) for fuel rail assemblies, which in turn, is expected to improve demand for UPIL's plastic components and thereby increase revenue. Additionally, UPIL also plans to diversify its customer base by onboarding other OEMs and secondary players. For FY24, 93% of TOI was only from its parent UCAL Limited.

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

Investment in subsidiary company

During FY11, UPIL had invested about ₹14.05 crores 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 total investment in this subsidiary is at ₹14.05 crores as on March 31, 2024. Net worth adjusted against this exposure was ₹41.96 crores as on March 31, 2024, and Adjusted gearing was 0.10x as on March 31, 2024 (PY: 0.11x).

Evolving technological changes

After Implementation of BS VI emission norm, UCAL (Major customer of UPIL) had developed new Products (E- Carb / EASV) 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. However, 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.

Key Strengths

Established track record and experienced parent

UPIL was established to reduce UCAL's 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 FY24, UPIL has generated around 93% of its revenue by supplying its product to the parent UCAL (PY: 91%).

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, 2024 (PY: 0.08x). The PBILDT/ Interest stood at 7.90x in FY24 (PY: 11.13x) while the Total Debt/GCA stood at 1.84x (PY:1.18x).

Liquidity: Stretched

Liquidity is stretched marked by elongated working capital cycle, which has increased from 118 days in FY23 to 163 days in FY24 due to extended collection period given to the parent UCAL Limited. The average collection days are elongated from 175 days in FY23 to 210 days in FY24. The average working capital utilization stood high around 92% for twelve months ended on October 2024. The company does not have any term debt obligations. The cash and Bank Balance stood low at ₹0.02 crores as on March 31, 2024 (PY: ₹0.03 crores).

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Auto Components & Equipments
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic 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 carburettors, fuel injection equipment, air suction valve, etc. UPIL's manufacturing facilities are located in Puducherry and Bawal (Haryana).

Brief Financials (₹ crore)	31-03-2023 (A)	31-03-2024 (A)	8MFY25 (UA)
Total operating income	43.38	39.54	29.19
PBILDT	5.23	4.05	NA
PAT	2.82	1.58	NA
Overall gearing (times)	0.08	0.08	NA
Interest coverage (times)	11.13	8.44	NA

A: Audited UA: Unaudited; NA; Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	4.75	CARE BB+; Stable
Non-fund-based - ST-Letter of credit		-	-	-	0.20	CARE A4+

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	4.75	CARE BB+; Stable	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (26-Dec-24)	1)CARE BBB-; Stable (24-Nov-23)	1)CARE BBB-; Stable (03-Mar-23)	1)CARE BBB-; Stable (08-Feb-22)
2	Non-fund-based - ST-Letter of credit	ST	0.20	CARE A4+	1)CARE A4+; ISSUER NOT COOPERATING* (26-Dec-24)	1)CARE A3 (24-Nov-23)	1)CARE A3 (03-Mar-23)	1)CARE A3 (08-Feb-22)

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short term.

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

Annexure-4: Complexity level of 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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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