

## Unitech International Limited

August 25, 2021

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	12.00	CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B+; (Single B Plus)
Short Term Bank Facilities	23.00	CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE A4; (A Four)
<b>Total Bank Facilities</b>	<b>35.00</b> <b>(Rs. Thirty-Five Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated August 19, 2020, placed the rating(s) of Unitech International Limited under the 'issuer non-cooperating' category as Unitech International Limited had failed to provide information for monitoring of the rating. Unitech International Limited continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated July 05, 2021 & July 20, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).***

The ratings have been revised on account of the conduct of the bank facilities being irregular in nature as per the feedback received from the banker. Further, the ratings also continue to factor in non-cooperation by UIL and CARE's efforts to undertake a review of the ratings outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

### Detailed description of the key rating drivers

*The following were the rating strengths and weaknesses. (Updated with latest financials FY21 (A) available on BSE website)*

#### Key rating Weakness

**Delays in debt servicing:** As per banker feedback, the conduct of the account is irregular in nature and continuous stressed owing to weak liquidity position. Besides, the banker has confirmed letter of credit (LC) was devolved.

**Moderate scale of operation & profit margins:** The total operating income has significantly decline by 75.37% and stood at Rs.26.01 crore in FY21 (vis-à-vis Rs.105.60 crore in FY20). Further, tangible networth of the company stood moderate at Rs.12.67 crore as on March 31, 2021. The PBILDT margin has improved and stood at 17.67% in FY21 (vis-à-vis 5.65% in FY20) primarily on account of decline in raw material consumption cost as a percentage of sales from 91.30% in FY20 to 66.85% in FY21. However, company has incurred net losses of Rs.0.27 crore in FY21 as against net profit of Rs.0.26 crore in FY20 due to decline in sales coupled with higher interest cost. Further during Q1FY22 total operating income stood at Rs.5.74 crore and PBILDT margin and PAT margin remained at 20.65% and 1.89% respectively.

**Leveraged capital structure and weak debt protection metrics:** UIL's capital structure marked by overall gearing has marginally improved and stood at 2.67 times as on March 31, 2021 (vis-à-vis 2.80 times as on March 31, 2020) on account schedule repayment of term loans resulted into declined in debt level. Further the debt coverage indicators marked by total debt to GCA and interest coverage ratio has deteriorated and stood at 28.56 times and 1.34 times respectively in FY21 (vis-à-vis 14.48 times and 1.78 times respectively in FY20) owing to significant decline in revenue resulted in lower generation of operating profit margin and cash accruals in FY21.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

**Working capital intensive nature of operation:** The operations of UIL are working capital intensive in nature with funds being blocked in receivables. The collection period has deteriorated from 141 days in FY20 to 527 days in FY21 due to averaging effect. Further inventory period also elongated and stood at 259 days in FY21 (vis-à-vis 44 days in FY20) on account of increase in finished goods stock. On the other hand, creditor's period has increase from 43 days in FY20 to 254 days in FY21 on account of averaging effect. Given the abovementioned scenario operating cycle has elongated and stood at 532 days in FY21 (vis-à-vis 109 days in FY20).

**Susceptibility of operating margins to the fluctuation in raw material prices:** Raw material costs has always been a major contributor to total operating cost constituting around 67% in FY21 owing to trading nature of operations. The company is exposed to the raw material price volatility risk due to volatility experienced in the prices of various plastic products and ferrous and non-ferrous metal. Being a small player in the market the company is not able to pass on the increase in input cost to its customers at a large extent. Hence any adverse movement in the raw material prices can affect the profit margins of the company.

**Presence in highly fragmented and competitive industry:** The Indian auto component industry is large and highly fragmented and predominantly controlled by the unorganized sector. Further, the stiff competition makes it difficult to completely pass on the rising input costs to the OEMs. The replacement and export market is also very price-sensitive and hence the auto component manufacturers hardly have any bargaining power in these segments as well.

**Highly fragmented and competitive nature of the industry:** The spectrum of plastic products and steel industry in which the company operates is highly fragmented and competitive marked by the presence of numerous players in India. The trading of plastic products and ferrous and non-ferrous metals industry is highly fragmented and competitive with more than two-third of the total number of players being unorganized. Hence, the players in the industry do not have any pricing power and are exposed to competition induced pressures on profitability. Also, due to low entry barriers in the industry and low value-added nature of products, high competition is the inherent risk associated with the industry.

#### **Key Rating Strengths:**

**Experienced management and established track record of operation:** The management of the company is vested in the hand of Mr. Dhruv R Desai, Director who has more than decade of experience in trading business and looks after the day-to-day operations of the company along operations and marketing department of the company. He is supported by Mr. Joseph Kuriakose Mathoor, Director, having more than 16 years of experience in present line of business and looks after administration and Operations department of the company. Furthermore, the promoters have established a strong relationship with its customers and suppliers, leading to easy availability of raw materials, and receive repeated orders from strong customer base.

**Liquidity Position (Weak):** Liquidity position is weak marked by tightly matched accruals to repayment obligations, highly utilized bank limits and moderate cash balance of Rs.0.45 crore as on March 31, 2021.

**Analytical approach:** Standalone

#### **Applicable Criteria:**

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on default recognition](#)

[Rating Methodology - Wholesale Trading](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

#### **About the Entity**

Unitech International Limited (UIL) was incorporated as a public limited company in 1994 under the name of Unitech Polypackaging Limited by Mr. Dhruv R Desai, Mr. Joseph Kuriakose Mathoor, Mrs. Kirti Kantilal Mehta, Pankajbhai Harilal Valia, Joseph Kuriakose Mathoor, Grace Jose Mathoor and Thomas Joseph. UIL is engaged in trading of engineering polymers, co- polymers, compound polymer and ferrous and non-ferrous metals. UIL sells its products in domestic market mainly to auto parts manufacturing companies, surgical equipment manufacturing companies, etc. and procures raw material from domestic market.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)*	Q1FY22 (UA)
Total operating income	105.60	26.01	5.74
PBILDT	5.97	4.67	1.19
PAT	0.26	-0.27	0.11
Overall gearing (times)	2.80	2.67	NA
Interest coverage (times)	1.78	1.34	1.78

A: Audited; A\*: Audited Abridged financials as per BSE Publication; UA: Un-Audited; NA: Not Applicable

**Status of non-cooperation with previous CRA:** ACUTE BB; Stable, Issuer not cooperating\* / ACUTE A4+; Issuer not cooperating\* vide its press release dated January 02, 2020.

**Any other information:** Not applicable

**Rating History (Last three years):** Please refer Annexure-2

**Covenants of rated instrument/facility:** Annexure 3

**Complexity level of various instruments rated for this company:** Annexure 4

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	3.00	CARE D; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	11.00	CARE D; ISSUER NOT COOPERATING*
Fund-based - LT-Proposed fund based limits	-	-	-	4.50	CARE D; ISSUER NOT COOPERATING*
Fund-based - LT-Proposed fund based limits	-	-	-	4.50	CARE D; ISSUER NOT COOPERATING*
Non-fund-based - ST-Proposed non fund based limits	-	-	-	12.00	CARE D; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

#### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument / Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	3.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE B+; ISSUER NOT CO-OPERATING* (19-Aug-20)	1)CARE BB-; ISSUER NOT CO-OPERATING* (10-Jun-19)	1)CARE BB; ISSUER NOT CO-OPERATING* (02-Jul-18)
2.	Non-fund-based - ST-Letter of credit	ST	11.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (19-Aug-20)	1)CARE A4; ISSUER NOT COOPERATING* (10-Jun-19)	1)CARE A4; ISSUER NOT COOPERATING* (02-Jul-18)
3.	Fund-based - LT-Proposed	LT	4.50	CARE D; ISSUER NOT	-	1)CARE B+; ISSUER NOT	1)CARE BB-; ISSUER NOT	1)CARE BB; ISSUER NOT

Sr. No.	Name of the Instrument / Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
	fund based limits			COOPERATIN G*		COOPERATIN G* (19-Aug-20)	COOPERATIN G* (10-Jun-19)	COOPERATIN G* (02-Jul-18)
4.	Fund-based - LT-Proposed fund based limits	LT	4.50	CARE D; ISSUER NOT COOPERATIN G*	-	1)CARE B+; ISSUER NOT COOPERATIN G* (19-Aug-20)	1)CARE BB-; ISSUER NOT COOPERATIN G* (10-Jun-19)	1)CARE BB; ISSUER NOT COOPERATIN G* (02-Jul-18)
5.	Non-fund-based - ST-Proposed non fund based limits	ST	12.00	CARE D; ISSUER NOT COOPERATIN G*	-	1)CARE A4; ISSUER NOT COOPERATIN G* (19-Aug-20)	1)CARE A4; ISSUER NOT COOPERATIN G* (10-Jun-19)	1)CARE A4; ISSUER NOT COOPERATIN G* (02-Jul-18)

*\*Issuer did not cooperate; Based on best available information*

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable

**Annexure 4: Complexity level of various instruments rated for this company**

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

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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