FEBRUARY 12, 2015

# CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF UCAL FUEL SYSTEMS LIMITED

**Ratings**

| Facilities | Amount (Rs. crore) | Ratings[1] | Remarks |
|---|---|---|---|
| Long-term Bank Facilities | 195.16<br>(reduced from Rs.232.69 crore) | **CARE BBB-<br>(Triple B Minus)** | **Reaffirmed** |
| Short-term Bank Facilities | 25.00 | **CARE A3<br>(A Three)** | **Reaffirmed** |
| **Total Facilities** | **220.16** | | |

**Rating Rationale**

The ratings continue to derive strength from the experience of the promoters of UCAL Fuel Systems Ltd (UCAL) and their established track record in the auto components business, UCAL's strong presence in two-wheeler (2W) carburetor segment, established engineering capabilities with in-house R&D, UCAL's integrated manufacturing set up and long standing relationship with major 2W and 4W automotive original equipment manufacturers (OEMs).

The ratings continue to be constrained by high level of exposure of UCAL to its subsidiary Amtec Precision Products Inc (Amtec) which continues to exhibit weak debt protection metrics, growing competition and technological obsolescence risks inherent in the industry.

The ability of the company to capture increased share of business in the wake of intense competition in the industry, overcome technology challenges successfully, tide over the industry downturn and bring about an overall improvement in the cash flow position of Amtec without increasing its exposure would be the key rating sensitivities.

**Background**

Ucal was established in the year 1985 as a joint venture between Chennai-based Carburetors Limited and Mikuni Corporation of Japan. During April 2008, Mikuni divested its stake to Carburetors Ltd.

UCAL manufactures mainly carburetors and Air Suction Valves (ASV) for 2W segment and oil pump, fuel injection parts including fuel filters, throttle body assembly and delivery pipe assembly for the 4W segment. UCAL is a Tier-I supplier to OEMs like Hero MotoCorp, TVS Motors, Bajaj Auto, Yamaha, MarutiSuzuki, Hyundai, etc.

UCAL has two wholly-owned subsidiaries, namely, Amtec Precision Equipments Inc., USA (Amtec) and UCAL Polymer Industries Ltd (UPIL, rated 'CARE BB+/CARE A4') and 11 manufacturing plants in Chennai, Pondicherry and Haryana. Amtec is engaged in manufacturing precision productsfor supplying to US auto and engine manufacturers. It was acquired by UCAL in 2005 to diversify its presence in global markets. UPIL is engaged in the manufacturing of high precision plastic components and rubber-moulded parts and earns majority of its revenues from sales to UCAL.

For the year ended FY14 (refers to the period April 1 to March 31), UCAL earned a PAT of Rs.8 crore on a total income of Rs.470 crore. During H1FY15, as per provisional financials, the company earned a PAT of Rs.12 crore on a total income of Rs.264 crore.

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

****For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://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.*

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