

APRIL 13, 2016

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	157.26 (reduced from 195.16)	CARE BBB- (Triple B Minus)	Reaffirmed
Short-term Bank Facilities	40.00 (enhanced from 25.00)	CARE A3 (A Three)	Reaffirmed
Total	197.26 (Rupees One Hundred Ninety Seven crore Twenty Six lakh only)		

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, 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 ratings also take into account improvement in performance witnessed during FY15 (refers to the period April 01 to March 31).

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

Background

Ucal Fuel Systems Limited (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 disinvested its stake to Carburetors Limited.

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

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

UCAL has two wholly-owned subsidiaries, namely, Amtec Precision Equipments Inc., USA (Amtec) and UCAL Polymer Industries Ltd (UPIL, rated 'CARE BBB-/CARE A3') and 11 manufacturing plants in Chennai, Pondicherry and Haryana. Amtec is engaged in manufacturing precision products for 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.

UCAL reported PAT of Rs.20 crore on a total operating income of Rs.532 crore in FY15 and PAT of Rs.14 crore on a total operating income of Rs.368 crore in 9MFY16.

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

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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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