

Unitech International Limited

June 10, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long term Bank Facilities	12.00	CARE BB-; ISSUER NOT COOPERATING* (Double B Minus; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE BB (Double B) Based on best available information
Short term Bank Facilities	23.00	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information
Total Facilities	35.00 (Rs. Thirty Five Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated July 02, 2018, placed the rating(s) of Unitech International Limited (UIL) 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 and phone calls. 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.

The revision in the long term rating assigned to the bank facilities of Unitech International Limited (UIL) on account of deterioration in financial performance of Q4FY19 audited results, non-availability of sufficient information from the client and also couldn't conduct the due diligence with banker.

The ratings take into account modest scale of operation, low profitability margins, working capital intensive nature of operations, foreign exchange fluctuation risk, exposure to raw material price volatility and presence in highly fragmented and competitive industry leading to fluctuation in raw material prices. These factors far offset the benefits derived from experienced management and established track record of operation and location advantage.

Detailed description of the key rating drivers

At the time of last rating on July 02, 2018 the following were the rating strengths and weaknesses: (updated for the information available from MCA & BSE website):

Key rating Weakness

Modest scale of operation: The total operating income stood modest owing to slight decline in revenues from sale of engineering polymers, co-polymers, compound polymer and ferrous and non-ferrous metals, which declined from Rs.136.07 crore in FY17 to Rs.131.65 crore in FY18 on account of fluctuations in number of orders received. However during Q4FY19 (A) results TOI has declined by 16.86% and stood at Rs.32.20 crore (vis-à-vis Rs.38.73 crore in Q3FY19)

Declining profitability margins: Further, due to decline in the scale of operations, the PBILDT margin slightly deteriorated during FY18 and stood at 1.34% (vis-à-vis 1.43% in FY17) owing to increase in other expenses. However during Q4FY19 (A) it has improved and stood at 4.21% (vis-à-vis 2.29% in Q3FY19). Further, profit margins stood lower at 0.19% in FY18 (vis-à-vis 0.32% in FY17) on account of increase in interest cost and depreciation cost. Furthermore UIL incurred losses during Q4FY19 of Rs.0.22 crore (vis-à-vis net profit of Rs.0.11 crore in Q3FY19)

Moderate capital structure and weak debt coverage indicators : The capital structure of UIL deteriorated in FY18 but remained moderate at 1.91 times in FY18 (vis-à-vis 0.71 times in FY17) on account of decrease in networth base due to subordination of unsecured loans is not considered during last two years. The debt coverage indicators stood weak during FY18, where in interest coverage stood at 1.35 times in FY18 (vis-à-vis 3.25 times in FY17) on account of increase in interest

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

*Issuer did not cooperate; Based on best available information

cost and total debt to GCA stood at 20.06 times in FY18 (vis-à-vis 10.75 times in FY17). Furthermore the capital structure and debt coverage indicators have been deteriorated in Q4FY19 (A) results as compared to Q3FY19 results

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 98% in FY18 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.

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 12 years 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 14 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.

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for manufacturing companies](#)

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

[Criteria for Short Term Instruments](#)

About the Company

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 (contributed around 30% to total operating income during FY15) (raw material used for making alloy steel products). 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)	FY17 (A)	FY18 (A)	Q4FY19 (A)
Total operating income	159.41	156.22	32.20
PBILDT	2.94	2.99	1.36
PAT	0.73	0.76	-0.22
Overall gearing (times)	3.26	1.82	2.12
Interest coverage (times)	2.12	2.29	1.16

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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 BB-; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-Letter of credit	-	-	-	11.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Proposed fund based limits	-	-	-	4.50	CARE BB-; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Proposed fund based limits	-	-	-	4.50	CARE BB-; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-Proposed non fund based limits	-	-	-	12.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

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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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	3.00	CARE BB-; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB; ISSUER NOT COOPERATING* (02-Jul-18)	1)CARE BB; ISSUER NOT COOPERATING* (11-Sep-17)	1)CARE BB (23-Sep-16)
2.	Non-fund-based - ST-Letter of credit	ST	11.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4; ISSUER NOT COOPERATING* (02-Jul-18)	1)CARE A4; ISSUER NOT COOPERATING* (11-Sep-17)	1)CARE A4 (23-Sep-16)
3.	Fund-based - LT-Proposed fund based limits	LT	4.50	CARE BB-; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB; ISSUER NOT COOPERATING* (02-Jul-18)	1)CARE BB; ISSUER NOT COOPERATING* (11-Sep-17)	1)CARE BB (23-Sep-16)
4.	Fund-based - LT-Proposed fund based limits	LT	4.50	CARE BB-; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB; ISSUER NOT COOPERATING* (02-Jul-18)	1)CARE BB; ISSUER NOT COOPERATING* (11-Sep-17)	1)CARE BB (23-Sep-16)
5.	Non-fund-based - ST-Proposed non fund based limits	ST	12.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best	-	1)CARE A4; ISSUER NOT COOPERATING* (02-Jul-18)	1)CARE A4; ISSUER NOT COOPERATING* (11-Sep-17)	1)CARE A4 (23-Sep-16)

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

Note on complexity levels of the rated instrument: 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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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.

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