



## Rating Rationale

UM Autocomp Private Limited

30 July 2019

**Brickwork Ratings assigns the ratings for the Non-Convertible Debentures Issue of ₹. 334.34 Crs of UM Autocomp Private Limited**

### Particulars

Instrument	Amount (Rs in crs )	Coupon	Issue Date	Maturity Date	ISIN Particulars	Rating*
NCD	334.34	10 %-one year and six months ,12 % thereafter	20/08/2017	29/02/2024	INE117Y07011	<b>BWR D (Pronounced as BWR D)</b>
<b>Total</b>	334.34	<b>₹ INR Three Hundred Thirty Four Crores and Thirty Four lakhs Only</b>				

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Description of Key Rating Drivers

BWR has principally relied upon the audited financials upto FY18, Provisional financials of FY 19 ,publicly available information and information/clarifications provided by the company .

The rating has, inter alia, factored in the experienced management, increase in scale and operations over the years , long track record of the group . The rating is, however, constrained by delays in servicing of coupon and Principal amount since March 2019 and losses suffered by the company .

Going forward, the ability of the company to manage effectively the liquidity position and timely debt servicing would be the key rating sensitivities.



### **Rating Strengths**

- **Established track record of the company:** Although company does not have much track record but the group companies and Promoters have adequate track record. The company does not have losses at operating level for the last three years, however Operating cash flow is (Rs 273.6 crores) as per FY 18 (A).
- **Increase in Topline :** Total operating Income of the company has increased from Rs 493.92 crores in FY 18 to Rs 550.71 crores in FY 19 (Provisional)

### **Rating Weakness**

- **Negative profit after tax** - Company has reported negative profit due to high depreciation and interest expenses. Company reported PAT of (Rs 56.44 crores) in FY 18 Audited and (Rs 9.47 crs) FY 19 Provisional financials.
- **Weak liquidity position-** Company's liquidity position is weak as current ratio is less than 1 for the past three years. Company's Days Payables are stretched at 220 days and 240 days in FY 18 and FY 19 respectively and company also had receivables of Rs.16.60 crs. more than six months in FY 18 due to which company has liquidity issues.
- **Weak Debt protection Metrics** - The company's Debt protection metrics is weak marked by Interest coverage and debt coverage of 0.93 x and 0.56 x in FY 18. Interest coverage and debt coverage were 1.46 x and 0.98 x in FY 19 (provisional)
- **Irregularity in NCD repayment** The company has defaulted in payment of interest and principal of NCD since March 2019.

### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

**Additional Disclosures** - The company has group companies Unitech Machine Limited, Alpha Toyo Automotive, Niko Auto, Techno auto components India Private Limited, UM Power limited, Techno Trexim India Private Limited, Magneti Marelli, UM Electronics Systems Private Limited, Trading Engineers International Limited.

### **Terms of the NCD Issue:**

UM Autocomp Private Limited has raised NCD amounting to Rs. 411.80 Crores with a tenor of 78 months.

**Coupon-** 10 % p.a payable monthly on 30th or last day of month whichever is earlier for the first one year and six months, 12 % p.a thereafter

**Purpose** - The NCD shall be used utilised for repayment of existing outstanding liabilities towards banks /Financial institutions.

### Repayment Details :-

Repayment structure	Percentage
Moratorium Period of 18 months from the date of allotment i.e 30/08.2017	0 %
Last Day of Every month starting from 19th to 30th month	10 %
Last Day of Every month starting from 31st to 42nd month	15 %
Last Day of Every month starting from 43rd to 54th month	20 %
Last Day of Every month starting from 55th to 66th month	25 %
Last Day of Every month starting from 67th to 78th month	30 %

### About the Company

UM Autocomp Private Ltd is engaged in the business of manufacturing and sale of automobile accessories i.e Headlamps, Tail lamps , Plastic Moulded Components, Air Cleaner, Sheet Metal Components, besides other components at three locations: Bhagwanpur in Uttarakhand and Saharanpur in U.P. and Manesar in Haryana. The Company was promoted with an objective of taking over of the auto component business division of Unitech Machines Limited which has Industrial experience of more than 30 years and serving customers like Hero MotoCorp Limited, Maruti Suzuki, etc.

Unitech Machines Ltd had two divisions auto and Engineering division . Both the Businesses had different business cycles, risks, and opportunities. The Engineering Business was consistently under financial stress due to the Macro Economic conditions prevailing in last 4-5 years. This resulted in the Auto Business also coming under a lot of pressure. As no new investor was willing to invest into a Company which undertook radically different businesses, the company bifurcated the businesses so as to command better values for each business. Hence w.e.f. 1st March 2017 UM Autocomp Private Ltd (which was incorporated on 22 nd Aug 2016) acquired the auto business of Unitech Machines Ltd . This transaction was concluded through the process of slump sale .

### Key Financial Indicators

Key Parameters	Units	2018	2019
Result Type		Audited	Provisional
Operating Revenue	₹ Cr	493.92	550.71
EBITDA	₹ Cr	70.65	71.98
PAT	₹ Cr	-56.44	-9.47
Tangible Net worth	₹ Cr	-338.88	-333.84
Total Debt/Tangible Net worth	Times	-1.29	-1.22

Current Ratio	Times	<b>0.73</b>	<b>0.77</b>
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**Rating History for the last three years**

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
<b>1</b>	<b>NCD</b>	Long Term	334.34	<b>BWR D (Pronounced as BWR D)</b>	<b>N.A</b>	<b>N.A</b>	<b>N.A</b>
	<b>Total</b>		334.34	<b>₹ INR Three Hundred Thirty Four Crores and Thirty Four lakhs Only</b>			

**Status of non-cooperation with previous CRA (if applicable)- Not applicable**

**Any other information -Not applicable**

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)
- [Default recognition and curing period](#)

For any other criteria obtain hyperlinks from website



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### Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf). Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

### About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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