

Rating Rationale

June 30, 2023 | Mumbai

Universal Precision Screws

Ratings upgraded to 'CRISIL A-/Stable/CRISIL A2+'

Rating Action

Total Bank Loan Facilities Rated	Rs.39 Crore
Long Term Rating	CRISIL A-/Stable (Upgraded from 'CRISIL BBB+/Positive')
Short Term Rating	CRISIL A2+ (Upgraded from 'CRISIL A2')

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its ratings on the bank loan facilities of Universal Precision Screws (UPS) to '**CRISIL A-/Stable/CRISIL A2+**' from '**CRISIL BBB+/Positive/CRISIL A2**'

The upgrade reflects sustained improvement in UPS credit risk profile supported by healthy operating performance. In the previous three years ended fiscal 2023, operating income grew at a compounded annual growth rate of about 21% supported by ramp up of operation, revenue increased to Rs. 362 crores (Rs. 285 crores in fiscal 2022). The business risk profile has been further aided by healthy operating efficiencies backed by steady increase in operating profitability to an estimated 20-21% during fy23.

The ratings also factor in the company's robust financial risk profile, aided by its efficient working capital management and nil reliance on external debt. Absence of sizeable debt funded capex and expected accretion to reserve shall continue to aid the financial risk profile over the medium term as well. Liquidity stood comfortable too, backed by healthy net cash accruals vis a vis maturing debt and sizeable unencumbered cash reserves.

The ratings continue to reflect the group's extensive industry experience of the promoters, diversified product portfolio, strong clientele, and healthy financial risk profile. These strengths are partially offset by volatile operating margin and moderate scale of operations.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of UPS and Universal Precision Screws Pvt Ltd (UPSPL), together referred to as the Universal group, as the entities are in the same business and have a common management team.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description **Strengths**

Extensive industry experience of the promoters and strong clientele: The promoters have an experience of around two decades in auto components and ancilliary industry. The extensive experience of the promoters has helped them develop healthy relationships with customers. Established reputation and strong clientele from diverse industries will lead to stable revenue over the medium term. Further, the group has around 5,000 stock-keeping units, including shoulder bolts, dowel pins and specials, and has diversified into industrial and capital goods, automotive and aerospace industries. Ability to cater to diversified customers—from general automotive fasteners to high precision fasteners—has helped the group onboard aircraft manufacturing company. All this has added group in healthy revenue group with CAGR of 21% over last three year till fiscal 2023 and company booked revenue of Rs. 362 crores against Rs. 285 crores in fiscal 2022. CRISIL Ratings believes addition of new customer and regular orders order from existing customers will further aid the business risk profile going forward.

Healthy financial risk profile of the group: The financial risk profile has remained healthy over the years and shall continue to strengthen over the medium term as well backed by expected accretion to reserve, group's strong network

providing financial flexibility and nil dependence on external debt amid prudent working capital management; networth is estimated at around 140-145 crore as of Mar 31, 2023 (Rs. 117 crores as Mar 31, 2022). Further, the debt protection indicators remain strong too backed by steady increase in operating profitability and nil reliance on external debt. Going forward, with no major debt funded capital expenditure CRIISL believes the group's financial flexibility will further improve.

Weaknesses

Working capital intensive operations: Operations are working capital intensive as reflected in gross current asset days at 140-150 days as on March 31, 2023, driven by moderate debtors (60-80 days) and inventory days (40-60 days). Inventory of around two months is being maintained by the company to cater the demand of customers in a timely manner. Though working capital cycle is partially supported by cushion in bank lines and creditors of 100-120 days, its prudent management amid expected business growth leading to improved return on capital employed will be closely monitored.

Moderate scale of operations: Despite healthy business growth over the past three years, the scale of operations remains modest as indicated by revenue of Rs. 362 crores during fiscal 2023. Revenue is expected at Rs 400-420 crore in fiscal 2023 with addition of new customer as well setting up distribution network to cater to domestic retail demand. Traction from new geographies/customers leading to substantial growth in revenue will remain a key rating sensitivity factor. CRISIL Ratings believes the revenue profile of the company will improve, however, its significant and sustained improvement will remain a key monitorable.

Liquidity: Strong

Bank limit utilization is moderate at around 60.48 percent for the past 10 months ended January 2023 as company has surrender all its facility and will be managing its working capital limits through running cash flows and the promoters are likely to extend support in the form of equity and unsecured loans to meet its working capital requirements and repayment obligations. Cash accruals are expected to be over Rs. 50-52 crore which are sufficient against term debt obligation of Rs. 4-5 crore over the medium term. In addition, it will be act as cushion to the liquidity of the company. Current ratio was healthy at 2.10 times on March 31, 2023. Low gearing and moderate net worth support its financial flexibility and provides the financial cushion available in case of any adverse conditions or downturn in the business.

Outlook: Stable

CRISIL Ratings believes the Universal group will improve its business risk profile over the medium term, with its diversified customer profile leading to steady revenue growth and will sustain its healthy financial risk profile.

Rating Sensitivity factors

Upward factors

- * Sustained and significant revenue growth and stability in operating margin at 21-22%, leading to more than expected net cash accruals.
- * Prudent working capital management leading to low/nil dependence on banking lines.

Downward factors

- * Decline in operating income or profitability, leading to cash accrual below Rs. 20 crores.
- * Large, debt-funded capex, weakening the financial risk profile and liquidity.

About the Group

UPS was established as a partnership firm in April 2006 as a 100% export-oriented unit (EOU) for manufacturing and exporting fasteners and machining components for the automotive industry. The firm started catering to the domestic market since fiscal 2011 to geographically diversify its revenue profile. It primarily manufactures shoulder bolts and dowel pins at its facility in Rohtak (Haryana) with installed capacity of 7,200 tonne per annum.

The current partners of UPS are Mr. Amit Jain, Mr. Rahul Jain, B.P. Jain Holding and LPSIS Pvt Ltd.

UPSPL was incorporated in 2013 and the operations of the company were started from 2017 onwards. The company manufactures fasteners as well as shoulder bolts and dowel pins. UPSPL is promoted by Mr. Amit Jain, Mr. Rahul Jain, Mrs. Sandhya Jain and Mrs. Deepa Jain.

Key Financial Indicators

UPS

As on / for the period ended March 31		2023*	2022
Operating income	Rs crore	253.81	196.57
Reported profit after tax	Rs crore	25.05	19.04
PAT margins	%	9.69	9.75
Adjusted Debt/Adjusted Net worth	Times	0.16	0.22
Interest coverage	Times	9.69	7.6

*Provisional

UPSPL

As on / for the period ended March 31		2023*	2022
Operating income	Rs crore	102.68	89.65
Reported profit after tax	Rs crore	9.02	9.31
PAT margins	%	8.67	10.35
Adjusted Debt/Adjusted Net worth	Times	0.14	0.22
Interest coverage	Times	16.09	13.67

*Provisional

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	34	NA	CRISIL A-/Stable
NA	Proposed Non Fund based limits	NA	NA	NA	5	NA	CRISIL A2+

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Universal Precision Screws	Full	Common promoters and similar business
Universal Precision Screws Pvt Ltd	Full	Common promoters and similar business

Annexure - Rating History for last 3 Years

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	34.0	CRISIL A-/Stable		--	30-09-22	CRISIL BBB+/Positive / CRISIL A2	02-07-21	CRISIL BBB+/Stable / CRISIL A2	04-09-20	CRISIL A3+ / CRISIL BBB/Stable	CRISIL A3+ / CRISIL BBB/Positive
Non-Fund Based Facilities	ST	5.0	CRISIL A2+		--	30-09-22	CRISIL A2	02-07-21	CRISIL A2	04-09-20	CRISIL A3+	CRISIL A3+

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Proposed Fund-Based Bank Limits	34	Not Applicable	CRISIL A-/Stable
Proposed Non Fund based limits	5	Not Applicable	CRISIL A2+

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Bank Loan Ratings
CRISILs Approach for Rating SRs

[The Rating Process](#)[Rating Criteria for Auto Component Suppliers](#)[CRISILs Criteria for Consolidation](#)

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