

Press Release

Upaj Investment And Finance Private Limited

October 19, 2021

Rating Upgraded



Total Bank Facilities Rated*	Rs.8.00 crore
Long Term Rating	ACUITE B/Outlook: Stable (Upgraded)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE B**' (read as **ACUITE B**) from '**ACUITE B-**' (read as **ACUITE B minus**) on the Rs.8.00 crore bank facilities of UPAJ Investment and Finance Private Limited (UPAJ). The outlook is '**Stable**'.

Rationale for revision in rating

The rating upgrade is on account of improvement in operating performance. The company has shown a growth in the operating income, which stood at Rs.6.85 crore in FY2021 as against Rs.5.77 crore in FY2020. The revenue of the company has increased by 18.72 percent and is growing at a compounded annual growth rate of rate of 113.72 percent since 2019. Similarly, there is an improvement in the operating margin of the company which stood at 12.05 percent in FY2021 as against 8.61 percent in FY2020. Also, the company has infused an equity of around Rs.4.73 crore for business expansion.

About the company

Incorporated in 1990, UPAJ Investments & Finance Private Limited is a Mumbai based company, engaged in investing in shares & stocks of companies for long term purposes. However, in the year 2018, the company ventured into manufacturing punnets & clamshells under the same brand name. The day to day operations is managed by its directors, Mr. Ghanshyam Hiralal Parekh, Mr. Janak Ghanshyamlal Parekh and Mr. Tejas Uppal Parekh. The said products are widely used in packaging fruits, eggs, meat & other perishable products. The manufacturing unit is located at Vapi, Gujarat.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of UPAJ to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

The promoter directors Mr. Ghanshyamlal Parekh, Mr. Janak Parekh & Mr. Tejas Parekh have extensive experience of handling different businesses. They are engaged in the business of manufacturing ampoules, tubes, glass vials, glass bottles, punnets & clamshells, through various entities like M/s Bombay Glass Blowing Industries, Injecta Ampoule Private Limited & Upaj Polycon Private Limited. This has helped the company to maintain a healthy relationship with customers and suppliers.

Acuité believes that the company will continue to benefit from the management's experience to further improve its business risk profile in the near to medium term.

• Moderate financial risk profile

The financial risk profile of the company stood moderate marked by low net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.5.61 crore as on March 31, 2021 as against Rs.1.96 crore as on March 31, 2020. The gearing (debt-equity) improved and stood at 0.89 times as on March 31, 2021 as compared to 3.91 times as on March 31, 2020. The improvement in net worth and gearing is due to the equity infused by the company for business expansion purpose. The total debt of the company stood at Rs.5.00 crore which includes Rs.4.39 crore of long term debt and Rs.0.62 crore of

unsecured loan as on March 31, 2021. Interest Coverage Ratio stood at 1.28 times for FY2021 as against 0.70 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 1.41 times for FY2021 as against 0.36 times for FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.30 times as on March 31, 2021 as against 4.73 times on March 31, 2020. Net Cash Accruals to Total Debt (NCA/TD) also stood moderate at 0.06 times for FY2021 as against negative (0.03) times for FY2020.

Acuite believes that the financial risk profile of the company is expected to remain at the same level over the medium term.

Weaknesses

• Intensive working capital operations

The working capital management of the company is intensive marked by Gross Current Asset (GCA) days of 376 days in FY2021 as against 296 days in FY2020. This is on account of high receivables period of 215 days in FY2021 as against 166 days in FY2020. Inventory days stood at 38 days in FY2021 as against 25 days in FY2020. However, the same is supported through creditor days of 171 in FY2021 and 131 days in FY2020. Hence, the average bank limit utilization remained moderate at around 56.26 percent for the last 6 months ended June 2021.

Acuite believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

• Stiff Competition from existing players

The industry of manufacturing punnets & clamshells is marked by the presence of various small to large sized players who have extensive experience in the said industry. UPAJ's ability to compete with these players and the ability to sustain will remain one of the most crucial criteria.

Rating Sensitivities

- Significant improvement in the scale of operations and profitability margins
- Any elongation of the working capital cycle leading to further deterioration in financial risk profile.

Material Covenants

None.

Liquidity Position: Stretched

The company has stretched liquidity marked by average net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.00-0.28 crore during the last three years through 2019-21, while its maturing debt obligations were Rs.0.77-1.00 crore over the same period. However, the promoters had infused capital and unsecured loans to support the repayments. The company's working capital operation is intensive marked by gross current asset (GCA) of 376 days in FY2021 as against 296 days in FY2020. The company maintains an unencumbered cash and bank balances of Rs.1.49 crore as on March 31, 2021. The current ratio of the company stood at 3.05 times as on March 31, 2021. The average bank limit utilization stood moderate at around 56.26 percent for the last 6 months ended June 2021.

Outlook: Stable

Acuite believes that the company will maintain a stable outlook over the near to medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers growth in revenues while improving profitability margins, improvement in financial risk profile and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenue, profit margins or deterioration in the financial risk profile, particularly its liquidity most likely as a result of higher than envisaged working capital or capex requirements.

About the Rated Entity - Key Financials

	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.	6.85	5.77
PAT	Rs. Cr.	(1.02)	(1.85)
PAT Margin	(%)	(14.94)	(31.98)
Total Debt/Tangible Net Worth	Times	0.89	3.91
PBDIT/Interest	Times	1.28	0.70

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
04-Sept-2020	Cash Credit	Long Term	1.00	ACUITE B-/Stable (Reaffirmed)
	Term Loan	Long Term	4.33	ACUITE B-/Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	2.67	ACUITE B-/Stable (Reaffirmed)
20-Nov-2019	Cash Credit	Long Term	1.00	ACUITE B-/Stable (Downgraded from ACUITE B/Stable)
	Term Loan	Long Term	6.00	ACUITE B-/Stable (Downgraded from ACUITE B/Stable)
	Proposed Bank Facility	Long Term	1.00	ACUITE B-/Stable (Downgraded from ACUITE B/Stable)
31-Aug-2018	Cash Credit	Long Term	1.00	ACUITE B/Stable (Assigned)
	Term Loan	Long Term	6.00	ACUITE B/Stable (Assigned)
	Proposed Bank Facility	Long Term	1.00	ACUITE B/Stable (Assigned)

*Annexure – Details of instruments rated

Lender's Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bank of Baroda	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B/Stable (Upgraded)
Bank of Baroda	Term Loan	May-2018	12.55	May-2025	4.33	ACUITE B/Stable (Upgraded)
Bank of Baroda	Term Loan-GECL	Oct-2020	7.50	Oct-2024	0.50	ACUITE B/Stable (Upgraded)

Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.17	ACUITE B/Stable (Upgraded)
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About Acuité Ratings & Research:

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