

Press Release
Universal Cartons Solutions Private Limited

September 07, 2021

Rating Reaffirmed



Total Facilities Rated*	Rs.40.00 crore
Long Term Rating	ACUITE BBB-/Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (**read as ACUITE A three**) to the Rs.40.00 crore bank facilities of Universal Cartons Solutions Private Limited (UCSPL). The outlook is '**Stable**'.

Rationale for reaffirmation of rating

The rating reaffirmation on the bank facilities of the company factors in the well-established track record of operations with experienced management and augmentation in business risk profile of the company marked by growth in revenues and profitability despite the onset of the covid-19 pandemic. The rating also factors in the well geographic presence of the group across the country with reputed clientele. However, these strengths of the company are partially offset by marginal deterioration in financial risk profile of the company owing to higher interest outgo and working capital intensive nature of operations.

About the company

Goa based Universal Carton Solutions Private Limited (UCSPL) was incorporated on August 04, 1995 and primarily engaged in printing of cartons, labels, aluminum foils and others packaging materials by way of art printing and color printing. The company is wholly owned subsidiary of BPPL and has its own manufacturing unit located at Nalagarh, Himachal Pradesh with a total installed capacity of manufacturing 600 lakh sheets per annum.

About the Group

Borkar Group was established in the year 1910 with retail stores and over decades has evolved as a business conglomerate with business interest in various sectors such as Packaging, Retail, Real Estate and Financial Consultancy. The group ventured into printing & packaging business in 1984 under the company (Borkar Industries) and later it was amalgamated into Borkar Packaging Private Limited. Borkar group acquired Universal Carton Solutions Private Limited (UCSPL) in March 2015.

Goa based Borkar Packaging Private Limited (BPPL) incorporated in 1994 is the flagship company of the Borkar Group and manufacturers printed cartons for FMCG, Food & Beverage, Pharmaceuticals and Liquor industries. The company has four state of the art manufacturing plants at Goa, Nalagarh (HP), Daman and Kolkata providing access to PAN India customers. The company is currently spearheaded by Mr. Amol Borkar and Mr. Nikhil Borkar guided under the leadership of Mr. Vinay Borkar and Mr. Deepak Borkar and has more than 3 decades of strong relationship with large MNCs like HUL, Nestle, P & G, Mondelez, Colgate Palmolive, Diageo, Pernod Recard, Abbott, etc.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Borkar Packaging Private Limited (BPPL) and its wholly own subsidiary Universal Carton Solutions Private Limited (UCSPL) together referred to as the 'Borkar Group' (BG). The consolidation is in view of the common management, same line of business and financial synergies between these entities. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

• **Experienced Management with established track record of operations**

The Borkar Group was established in the year 1910 by late Mr. Shripad Borkar, thus having an established

brand position for over a century. Later in 1994, the third generation of the Borkar family diversified its core competency business by establishing its flagship company BPPL. The operations of the group are currently managed by Mr. Vinay P. Borkar, Mr. Deepak P. Borkar, Mr. Nikhil A. Borkar and Mr. Amol A. Borkar. The promoters of the group have an experience of over three decades in the aforementioned line of business. The promoters are supported by experienced and qualified second line of management. The long track record of operations of over 100 years coupled with experience of management have helped the group to forge healthy relationships with reputed clients and suppliers.

Acuité believes that BG will sustain its existing business profile on the back of established track record of operations, experienced management and reputed clientele base.

- **Well diversified geographical operations along with reputed clientele**

The Borkar Group caters to various industries such as FMCG, Liquor, pharmaceutical to name a few. The group caters around 55 percent of its business to FMCG industry and 20-25 percent to the Liquor industry. The group caters to reputed players such as Hindustan Unilever Ltd., Nestle India Ltd., Reckitt Benckiser (India) Pvt. Ltd., United Spirits Ltd. to name a few with more than three decades of relationship. The group has set up various manufacturing plants located across different locations such as Goa, Daman, Himachal Pradesh and Kolkata. Going ahead, Acuité believes the business profile of the group will significantly improve on account of presence in diversified locations along with reputed clientele base.

- **Augmentation business risk profile**

The consolidated operating income of the group stood at Rs.438.42 Cr. in FY2021 (Provisional) from Rs.429.07 Cr. in FY2020 reflecting a marginal YoY growth of 2 percent. Despite the disruptions in demand with the onset of the covid-19 pandemic in Q1FY2021, the group witnessed a sharp recovery in demand from cities like Goa and Kolkata in H2FY2021 reflecting growth in consolidated revenue of the group in FY2021. The profitability of the group also improved marked by improvement in EBITDA margin from 8.72% percent in FY2020 to 10.19 percent in FY2021 (Provisional) majorly on account of reduction in raw material costs and other expenses owing to cost reduction initiatives taken by the management of the group. Furthermore, the net profit margin of the group also improved marginally to 0.80 percent in FY2021 (Provisional) as against 0.64 percent in FY2020.

Acuité believes that the growth in revenue and sustenance of its profitability margins are expected to support the overall growth of the group.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of the group is moderate marked by moderate net worth, debt protection metrics and debt coverage indicators. The net worth of group stood at Rs.173.02 Cr. (includes quasi equity of Rs.32.21 Cr.) as on 31 March, 2021 (Provisional) as against Rs.173.31 Cr. (includes Rs.36.00 Cr. of quasi equity) as on 31 March, 2020. The gearing (debt-equity) stood at 1.24 times as on 31 March, 2021 (Provisional) as against 1.27 times as on 31 March, 2020. The total debt outstanding as on 31 March 2021 (Provisional) has decreased to Rs.214.97 Cr. compared to Rs.219.25 Cr. previous year. The coverage indicators stood moderate marked by deterioration in Interest Coverage Ratio (ICR) to 1.50 times for FY2021 (Provisional) as against 1.62 times for FY2020. The NCA/TD (Net Cash Accruals to Total Debt) ratio remain same at 0.07 times in FY2021 (Provisional) and Debt to EBITDA improved yet stood high at 4.49 times in FY2021 (Provisional) as against 5.35 times in FY2020. Further, the DSCR marginally deteriorated and stood low at 0.95 times for FY2021 (Provisional) as against 0.98 times for FY2020. Further, TOL/TNW stood at 1.54 times as on 31 March 2021 (Provisional). However, financial risk is partially offset by group's liquid investments in fixed deposits to the tune of Rs.44.59 Cr. as on 31 March, 2021 (Provisional) as against Rs.42.23 Cr. same period last year for any future capex or in case of any short-term liquidity stress.

Acuité believes that the financial risk profile of the company is expected to remain moderate over the near to medium term on account of moderate cash accruals and absence of any significant debt-funded capex.

- **Working capital intensive operations**

The operations of the group are working capital intensive in nature marked by high Gross Current Assets (GCA) of 203 days for FY2021 (Provisional). However, the GCA of the group in FY2021 (Provisional) has marginally improved as compared to the GCA of 213 days for FY2020. These high GCA days was mostly driven by high inventory holding period of 110 days for FY2021 as against 107 days same period last year. However, the debtor's days moderately decreased to 69 days for FY2021 (Provisional) from 72 days for FY2020. High GCA days has led to higher reliance over external borrowings marked by average bank limit

utilization of ~90 percent for the last six months ended July, 2021.

Acuité believes that the company's ability to maintain its working capital efficiently will remain a key rating sensitivity.

Rating Sensitivities

- Improvement in scale of operations and profitability
- Any further deterioration in the working capital cycle leading to deterioration in financial risk profile and liquidity position

Material Covenants

None

Liquidity position: Adequate

The group has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.14.80 Cr. for FY2021 (Provisional) while its maturing debt obligations were Rs.11.07 Cr. for the same period. However, the group has working capital intensive operations as marked by high GCA days of 203 days as on 31 March, FY2021 (Provisional) which has led to high bank limit utilization ~90 percent for last six months ended June, 2021. The group maintains unencumbered cash and bank balances of Rs.0.42 Cr. and also has liquid investments in form of bank deposits of Rs.44.59 Cr. as on 31, March, 2021 (Provisional). The current ratio stood at 1.54 times as on 31 March, 2021 (Provisional). Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accruals to its maturing debt obligation.

Outlook: Stable

Acuité believes that the group will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations, experienced management and reputed clientele. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in its revenues and profitability while maintaining its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of any further deterioration in the group's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	438.42	429.07
PAT	Rs. Cr.	3.50	2.74
PAT Margin	(%)	0.80	0.64
Total Debt/Tangible Net Worth	Times	1.24	1.27
PBDIT/Interest	Times	1.50	1.62

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

CRISIL ratings via its press release on 26 May 2020 had denoted the rating of Borkar Packaging Private Limited as 'CRISIL BB+/Stable/CRISIL A4+; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

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>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.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 the Facilities	Term	Size of the issue (Rs. Crore)	Ratings/Outlook
November 03, 2020	Cash Credit	Long Term	25.00	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB-/Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A3 (Assigned)

***Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the issue (Rs. Crore)	Ratings/Outlook
Saraswat Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB-/Stable (Reaffirmed)
Aditya Birla Finance Limited	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB-/Stable (Reaffirmed)
Saraswat Bank	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3 (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in Nitul Dutta Senior Analyst - Rating Operations Tel: 022-49294053 nitul.dutta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.