

Press Release

UNIVERSAL CARTONS SOLUTIONS PRIVATE LIMITED

October 25, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BBB- Stable Reaffirmed Negative to Stable	-
Bank Loan Ratings	10.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	40.00	-	-

Rating Rationale

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

Reason for change in outlook

The revision in outlook takes into consideration the improvement of the business risk profile of the group in FY2023(Prov). The revenue of the group improved and stood at Rs.445.13 crore in FY2023 (Prov) as against the revenue of Rs.368.99 crore in FY2022. The increase in the revenues is due to higher price realisation for the products. The group is focusing on selling high value products to the customers. The group has achieved a revenue of ~Rs.188.42 crore in 5MFY2024. It also takes into consideration the moderate financial risk profile of the group. The ratings are however constrained by the working capital-intensive operations and the stretched liquidity position of the group.

About 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. Universal Carton Solutions Private Limited (UCSPL) was incorporated on August 04, 1995, and is involved in the same line of business as BPPL such as printing of cartons, labels, aluminum foils and others packaging materials by way of art printing and colour printing. The company has its own manufacturing unit located at Nalagarh, Himachal Pradesh.

Standalone (Unsupported) Rating

None

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

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.

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 to reputed players such as Hindustan Unilever Ltd., Nestle India Ltd., Pernod Ricard India Private Limited 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.

Moderate financial risk profile

The tangible net worth of the group stood at Rs.190.14 crore as on March 31, 2023 (Prov), as against Rs.182.40 crore as on March 31, 2022. The tangible net worth also consists of quasi equity of Rs.32.00 crore. The gearing of the group stood at 0.94 times as on March 31, 2023(Prov), as against 1.12 times as on March 31, 2022. The total debt of the group stood at Rs.178.73 crore as on March 31, 2023 as against Rs.204.29 crore as on March 31, 2022. The interest coverage ratio stood at 1.67 times as on March 31, 2023(Prov), as against 1.53 times as on March 31, 2023. The DSCR stood below unity at 0.92 times as on March 31, 2023(Prov), as against 0.82 times as on March 31, 2022. The DSCR is expected to improve and is likely to be in the range of 1.15-1.27 times in medium term. Acuité believes that the financial risk profile of the group will continue to remain moderate with no major debt funded capex in medium term.

Weaknesses

Improved albeit intensive working capital operations

The group's working capital operations have improved in FY23(Prov). However, they are intensive as evident from the GCA days of 160 days as on March 31, 2023 (Prov) as against

GCA days of 226 days as on March 31, 2022. The inventory days stood at 106 days for FY2023(Prov) as against 131 days for FY2022. The inventory majorly consists of paper boards, printing inks and foils. Average inventory holding period is of around 60-70 days. The debtors' days stood at 57 days for FY2023(Prov) as against 73 days for FY2022. The average credit period allowed to the customers is around 70-75 days. The creditors days stood at 47 days for FY2023(Prov) against 59 days for FY2022. The group majorly makes immediate payments to the suppliers. The average credit period received from the supplier is around 90 days. The average utilization of the bank limits are high at around 94 percent for BPPL after taking into consideration the ad hoc limits and 46 percent for UCSPL for six months ending September '2023. Acuité believes that the ability of the group to improve its working capital management will remain a key rating sensitivity in medium term.

Rating Sensitivities

Substantial improvement in the business risk profile of the group.

Any substantial increase in the investment in group companies impacting a cash flow management of Borkar Group.

Any deterioration in the financial risk profile.

Further stretch in the liquidity position of the group.

All Covenants

Not Applicable

Liquidity position:stretched

The group has a stretched liquidity position as reflected by the low cash accruals against the maturing debt obligations. The group generated cash accruals of Rs.17.72 crore in FY23(Prov) as against maturing debt obligations of Rs. 22.14 crore over the same period. The gap in funding was met through realisation of advances given to group companies and other sources. The company is estimated to generate cash accruals of Rs.21.08-26.04 crore over the period 2024-2025 against maturing debt obligations of Rs.13.79-14.20 crore over the same period. The working capital limits are almost fully utilized and the group also takes ad hoc limits for working capital requirements reflecting a stretch liquidity position. However, the group has unencumbered fixed deposits to the tune of ~Rs.35.20 crore and cash and bank balance of Rs.0.42 crore as on March 31, 2023(Prov), which provides a comfort in terms of the liquidity position. The current ratio stood at 1.67 times as on March 31, 2023(Prov).

Outlook:Stable

Acuité has revised the outlook on BG from 'Negative' to 'Stable' on account of improvement in the business risk profile of the group. Further, the outlook also takes into account the moderate financial risk profile of the group and improvement expected in medium term in the coverage indicators. The outlook may be revised to 'Positive' in case the group continues to register consistent growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the group's financial risk profile and liquidity position and lower than expected revenue generation and decline in profitability margins.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	445.13	368.99
PAT	Rs. Cr.	8.51	4.47
PAT Margin	(%)	1.91	1.21
Total Debt/Tangible Net Worth	Times	0.94	1.12
PBDIT/Interest	Times	1.67	1.53

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

CRISIL vide its press release dated `17th Oct 2022, had rated the company to CRISIL B/Stable/A4; Issuer Not Cooperating.

Any Other Information

None

Applicable Criteria

- Application Of 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Dec 2022	Term Loan	Long Term	10.00	ACUITE BBB- Negative (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	15.00	ACUITE BBB- Negative (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A3 (Reaffirmed)
07 Sep 2021	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A3 (Reaffirmed)
03 Nov 2020	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Saraswat Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB- Stable Reaffirmed Negative to Stable
Saraswat Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A3 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	7.55	ACUITE BBB- Stable Reaffirmed Negative to Stable
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.70	ACUITE BBB- Stable Reaffirmed Negative to Stable
Aditya Birla Finance Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.75	ACUITE BBB- Stable Reaffirmed Negative to Stable

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Tanvi Kadam Analyst-Rating Operations Tel: 022-49294065 tanvi.kadam@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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