

Press Release

Uniglobal Papers Private Limited

May 10, 2021

Rating Assigned



Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	ACUITÉ BBB-/Stable (Assigned)
Short Term Rating	ACUITÉ A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned a long term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) and short term of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs 30.00 Cr. bank facilities of Uniglobal Papers Private Limited (UGPPL). The outlook is '**Stable**'.

The rating factors in the healthy business risk profile of the company reflected from its moderate scale of operations along with improving profitability margin. The company has witnessed sustained growth in its turnover levels backed by rise in sales volume. The rating also takes into account the comfortable financial risk profile of the company. These credit strengths are partly offset by the working capital intensity in UGPPL's operations.

Uniglobal Papers Private Ltd was incorporated in 2003. In 2006, the company was acquired by its current management. UGPPL is engaged in manufacturing coated duplex board with an installed capacity of 30,000 MTPA. The manufacturing unit is located at Jhargam, West Bengal. The company is managed by Mr Rahul Tikmani and Mr Yashvardhan Mukim.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of UGPPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

UGPPL was managed by Mr Rahul Tikmani who possesses 15 years of experience in paper business. The company reported an improvement in the scale of operation with sales at Rs 88.71Cr in FY20 as against Rs 78.98 Cr. in FY19. The improvement in the turnover levels is driven by rise in sales volume. However, the scale of operation is expected to decline in FY21 because of low capacity utilization during H1FY20 due to pandemic outbreak. The company has recorded revenue of Rs 58 Cr till December 2021 (Provisional). Acuite believes the scale of operation is expected to improve over the medium term backed by rise in capacity utilization because of rising demand from FMCG and pharmaceutical sectors.

Comfortable financial risk profile

The financial risk profile of the UGPPL is marked by its moderate net worth, comfortable gearing ratio and healthy debt protection metrics. The net worth stood at Rs. 33.76 Cr. as on 31st March 2020 as compared to Rs 32.62 Cr. in the previous year due to retention of profit. The gearing of the company stood at 0.99 times in FY20 as against 0.92 times in the previous year. The total debt of Rs. 33.47 Cr in FY2020 consists of short term borrowing of Rs 19.84 Cr, long term debt of Rs 8.23 Cr and unsecured loan of Rs 5.40 Cr. TOL/TWN stood at 1.57 times in FY20 as against 1.58 times in FY19. Interest coverage ratio (ICR) stood at 2.16 times in FY2020 as against 2.83 times in FY 2019. The debt service coverage ratio (DSCR) stood at 1.21 times in FY2020 as against 1.28 times in FY2019. The marginal decline is due to increase in financial cost because of addition of unsecured

loan to fund the modernization capex. The Net Cash accruals to Total Debt (NCA/TD) stood at 0.13 times in FY2020 as compared to 0.12 times in the previous year. Acuite expects the financial risk profile to remain comfortable over the medium term due to steady accruals and no major debt led capex plans.

Improving profit margin

The profit margin of the company stood healthy as reflected from its EBITDA margin of 9.19 percent in FY20 as against 7.53 percent in FY19 and 6.39 percent in FY18. The improvement in profit margin is on account of decline in raw material cost. The profitability margin is expected to witness an improvement in FY21 as the company has posted EBITDA margin of about 10.81 percent during 9MFY21 (Provisional). Acuite believes the profitability levels of the company would be sustained over the medium term.

Weaknesses

Working capital intensive

The operations of the company are working capital intensive as evident from its high gross current asset (GCA) days of 156 days in FY20 as 148 days in the previous year. The high GCA days are mainly due to high inventory days of 94 days in FY20. The company maintains considerable stock of waste paper and chemicals in order to avoid shortage of raw materials. The debtor days of the company stood at 38 days in FY20 as compared to 30 days in FY19. Acuite believes the working capital requirement is likely to remain similar due to high inventory levels.

Rating Sensitivity

- Elongation of working capital
- Sustenance in revenue growth

Material Covenant

None

Liquidity Profile: Adequate

The company has an adequate liquidity profile as the net cash accrual stood comfortable at Rs 4.50 Cr. in FY20 as against current maturity of Rs 3.44 Cr. Current ratio stood comfortable at 1.39 times in FY20 as against 1.41 times in FY19. The working capital utilization stood at 93 percent during last 6 months ended February 2021. The company has low unencumbered cash & bank balance of Rs 0.01 crores as on March 31, 2020. However, the company had witnessed rise in GCA days to 156 days in FY20 as against 148 days in FY19 due to increase in debtor days. Acuite believes liquidity profile will remain adequate in medium term backed by improvement in net cash accrual.

Outlook: Stable

Acuite believes the outlook on UGPPL will remain 'Stable' over the medium term backed by its long track record of operations and comfortable financial risk profile. The outlook may be revised to 'Positive' if the company is able to scale up its operations along with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in liquidity profile due to rise in working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY20(Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	88.71	78.98
PAT	Rs. Cr.	1.14	1.19
PAT Margin	(%)	1.29	1.51
Total Debt/Tangible Net Worth	Times	0.99	0.92
PBDIT/Interest	Times	2.16	2.83

Status of Noncooperation from other CRA (Not Applicable)

None

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

NA

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB-/Stable (Assigned)
Term Loan	July 2020	8.10%	Not Available	5.84	ACUITE BBB-/Stable (Assigned)
Proposed Bank facility	Not Applicable	Not Applicable	Not Applicable	0.66	ACUITE BBB-/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A3 (Assigned)

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About Acuité Ratings & Research:

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