

Press Release

Uniglobal Papers Private Limited

July 05, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	2.70	-	ACUITE A3+ Assigned
Bank Loan Ratings	25.70	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	4.30	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	47.70	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.30.00 Cr bank facilities of Uniglobal Papers Private Limited (UPPL) and has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.17.70 Cr bank facilities of Uniglobal Papers Private Limited (UPPL). The outlook remains '**Stable**'.

The rating upgrade of UPPL takes into cognizance the improvement in business risk profile marked by significant growth in revenue of the company. The rating is also driven by the experienced management, long track record of operations and the above average financial risk profile of the company marked by healthy debt protection metrics. These strengths are, however, offset by the working capital intensive nature of operations of the company and the competitive industry.

About the Company

Incorporated in 2003, Uniglobal Papers Private Limited (UPPL), erstwhile Agro Industries Limited, started the commercial operations from 2006. The company is based in Kolkata and is headed by Mr. Rahul Tikmani. UPPL is engaged in the production of coated duplex board. The company has an installed production capacity of 33,000 MTPA and has undertaken an expansion project in FY22 to increase the capacity to 49,500 MTPA by FY23.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Uniglobal Papers Private Limited (UPPL) to arrive at this rating.

Key Rating Drivers

Strengths

- **Long standing operations and experienced management**

The company having a long standing operation of over a decade along with the expertise of the director, Mr. Rahul Tikmani and a set of experienced professionals has made a mark in the paper industry. Acuité believes that going forward, the industry knowledge of the promoter and the established relationship with the clientele will continue to benefit the company.

- **Significant improvement in business risk profile buoyed by growth in revenue**

The Covid-19 pandemic had an impact on the company's performance in FY21, though, it was able to attain a sustainable revenue in that year. Moreover, the company has achieved significant improvement in their top line in FY22 and has generated revenues of Rs.117.24 Cr (provisional) as compared to revenues of Rs.81.76 Cr in FY21. The sales increase have resulted from improvement in average realisation as well as enhanced volumes. Other reasons adding to the improvement is the better flow of orders and addition of new distributors in the product portfolio. Acuité believes that going forward, the scale of operations will increase further owing to the enhancement in the production capacity along with the increase in the demand of papers in order to substitute the use of plastic.

- **Above average financial risk profile**

The above average financial risk profile of the company is marked by modest albeit improved net worth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the company increased to Rs.40.51 Cr (provisional) as on March 31, 2022 from Rs.35.03 Cr as on March 31, 2021 due to accretion to reserves. Gearing of the company stood comfortable at 0.92 times (provisional) as on March 31, 2022 as against 1.02 times as on March 31, 2021, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at a moderate level of 1.25 times (provisional) as on March 31, 2022 as against 1.47 times as on March 31, 2021. The healthy debt protection metrics is marked by Interest Coverage Ratio at 3.23 times (provisional) as on March 31, 2022 and Debt Service Coverage Ratio at 1.49 times (provisional) as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood high at 0.22 times (provisional) as on March 31, 2022. Acuité believes that going forward the financial risk profile will remain above average over the medium term, despite debt funded capex plans.

Weaknesses

- **Working capital intensive nature of operations**

The company's working capital intensive nature of operations is marked by Gross Current Assets (GCA) of 130 days (provisional) as on March 31, 2022 as compared to 175 days in 31st March 2021. The GCA days are high on account of high inventory level during the same period. The inventory period stood at 96 days (provisional) as on March 31, 2022 as compared to 121 days as on 31st March 2021. The inventory holding is on account of maintaining the stock of imported materials along with regular materials in order to ensure smooth production. However, the debtor period stood comfortable at 12 days (provisional) as on March 31, 2022 as compared to 35 days as on 31st March 2021. Acuité believes that the working capital operations of the company will remain at same level as evident from the efficient collection mechanism over the medium term.

- **Highly fragmented and competitive industry**

The recycling industry is highly fragmented with several organized and unorganized players,

thereby impacting the company's profitability. Players in the industry have to comply with stringent effluent treatment norms of pollution control boards and complete discretion of the government, which led to high compliance risks. However, most of the pulp-based paper mills has adopted environment friendly technologies to minimize wastage and maximize recycling/reuse materials to produce eco-friendly paper. Also, the domestic industry faces immense competition of imports from Asian countries, which are of superior quality and of lower prices. Acuité believes that adherence to several environmental regulations and continuous investments are required to comply with the norms, which is likely to impact the profitability

Rating Sensitivities

- Growth in scale of operations while improving the profitability margins
- Sustenance of the capital structure
- Elongation in working capital cycle

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.8.05 Cr (provisional) as on March 31, 2022 as against long term debt repayment of Rs.4.24 Cr for the same period. Further, the current ratio stood comfortable at 1.75 times (provisional) as on March 31, 2022 as compared to 1.38 times as on March 31, 2021. The cash and bank balances of the company stood at Rs.0.41 Cr (provisional) as on March 31, 2022. However, the fund based limit of the company is highly utilized at 95 per cent over the six months ended March, 2022. The working capital management of the company is intensive in nature marked by Gross Current Assets (GCA) of 130 days (provisional) as on March 31, 2022 as compared to 175 days in 31st March 2021. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on UPPL will remain 'Stable' over the medium term on account of the experienced management, improving business risk profile and the above average financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	81.76	88.71
PAT	Rs. Cr.	2.06	1.14
PAT Margin	(%)	2.51	1.29
Total Debt/Tangible Net Worth	Times	1.02	0.99
PBDIT/Interest	Times	2.30	2.16

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

None

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>
Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Jun 2022	Proposed Bank Facility	Long Term	0.68	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	20.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Letter of Credit	Short Term	4.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	5.32	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
10 May 2021	Cash Credit	Long Term	20.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	0.66	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	3.50	ACUITE A3 (Assigned)
	Term Loan	Long Term	5.84	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE A3+ Reaffirmed
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	2.70	ACUITE A3+ Assigned
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB Stable Reaffirmed
Indian Bank	Not Applicable	Covid Emergency Line.	20-07-2020	8.1	20-06-2024	5.32	ACUITE BBB Stable Reaffirmed
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.38	ACUITE BBB Stable Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	15.00	ACUITE BBB Stable Assigned

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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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