



Press Release
Uniglobal Papers Private Limited
May 22, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	40.70	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	7.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	56.70	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.47.70 Cr bank facilities of Uniglobal Papers Private Limited (UPPL). The outlook remains '**Stable**'.

Acuite has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) on the Rs.9.00 Cr bank facilities of Uniglobal Papers Private Limited (UPPL). The outlook remains '**Stable**'.

Rationale for rating

The rating reaffirmation factors in the rise in scale of operations of the company. The rating further considers the experience of the management and the above average financial risk profile of UPPL, marked by low gearing and comfortable debt coverage 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 Agio Industries Limited] is promoted by Mr. Rahul Tikmani. Based in Kolkata, UPPL is engaged in the production of coated duplex board. Currently the company has enhanced the production capacity from 33,000 MTPA to 49,500 MTPA by an expansion plan, completed in May, 2023.

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

Established operations and experienced management

UPPL has a long track record of operations of around two decades in the paper industry. The company is supported by the decade long expertise of the director, Mr. Rahul Tikmani, along with a set of experienced professionals.

Acuite believes that, going forward, the established clientele relationships and the

experienced management will continue to support the company's growth plans.

In FY2023, the company acquired Duncan Industries Ltd., which has tea gardens in Dooars, Terai and Darjeeling from NCLT in consortium with the clutch of Singapore based investors for a sum of Rs.20.43 Cr. Further, UPPL has also submitted a resolution plan before the NCLT to acquire BKM Industries Limited and has paid an earnest money deposit of Rs.10.00 Lacs. The matter is pending before the NCLT. Going forward, the new additions by the company may open horizons for diversification and segmentation.

Consistent improvement in the scale of operations

The company has achieved revenues of Rs.146.60 Cr (provisional) in FY2023 as compared to Rs.117.25 Cr in FY2022. The steady rise in the operating income is supported by the growing demand from the evolving e-commerce segment and the surge in demand for biodegradable and eco-friendly packaging. However, the operating profit margin of the company declined to 9.02 per cent in FY2023 (provisional) as compared to 9.81 per cent in FY2022 owing to increase in raw material costs.

Acuité believes that going forward, the company's scale of operations will further improve owing to capacity addition and the growing stress on substituting paper packaging.

Above average financial risk profile

The company's above average financial risk profile is marked by improving net worth, low gearing and comfortable debt protection metrics. The tangible net worth of the company increased to Rs.66.11 Cr as on March 31, 2022 from Rs.39.69 Cr as on March 31, 2021 due to accretion to reserves. Going forward, the networth is expected to range between Rs.67-80 Cr backed by the gradually improving accruals. Acuité has treated unsecured loans of Rs.27.16 Cr in FY2023 as quasi equity as the management has undertaken to maintain this amount in the business over the medium term. The gearing of the company stood comfortable at 0.49 times as on March 31, 2022 as against 0.79 times as on March 31, 2021, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 0.70 times as on March 31, 2022 as against 1.18 times as on March 31, 2021. However, the gearing is expected to slightly rise but remain comfortable over the medium term due to the additional loans taken for the capacity enhancement project. The comfortable debt protection metrics is marked by Interest Coverage Ratio at 3.23 times as on March 31, 2022, however, the Debt Service Coverage Ratio stood moderate at 1.49 times as on March 31, 2022. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.25 times as on March 31, 2022.

Acuité believes that the financial risk profile will remain above average over the medium term in spite of the debt funded capex plan undertaken.

Revised project scope

The company has revised the expansion plan undertaken in Nov, 2021 of enhancing the capacity of duplex paper board from 33,000 MTPA to 49500 MTPA. The plan has been revised pertaining to the installment of an imported machinery for capacity addition. However, the changes in the initial plan and the procedure of acquiring and importing the machinery led to delays in execution of the project, which has resulted both - time and cost overruns. The expected date of completion extended from Nov, 2022 to April, 2023, anticipating that the commercial operations are starting in May, 2023. Currently, the project is complete, and the trial run has started. The total cost of the project increased from Rs.22.00 Cr to Rs.30.63 Cr. While fundin the additional expenditure of Rs.8.63 Cr, the company has availed a term loan of Rs.4.00 Cr., and the rest is financed by internal accruals. Acuité believes that the leverage ratios will remain comfortable regardless of the additional debt taken for the new capex plans.

Weaknesses

Working capital intensive nature of operations

The company's working capital intensive operations is marked by improving but a moderate Gross Current Assets (GCA) of 120 days as on March 31, 2022 as compared to 175 days in 31st March 2021. The GCA days improved on account of improvement in the inventory period. The inventory holding stood at 96 days as on March 31, 2022 as compared to 121 days as on 31st March 2021 due to reduction in the lead time of imported materials. Moreover, the debtor period stood comfortable at 10 days 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 around similar 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, and effluent treatment norms of pollution control boards and complete discretion of the government, which led to high compliance risks. However, most 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 adequate liquidity position is marked by steady net cash accruals of Rs.8.05 Cr as on March 31, 2022 as against long term debt repayment of Rs.4.24 Cr for the same period. The net cash accruals are expected to improve further and range between Rs.8-9 Cr over the medium term. The current ratio stood moderate at 1.33 times 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.0.06 Cr as on March 31, 2022. However, the fund based limit utilization remained high at 93 per cent over the six months ended March, 2023. The working capital management of the company is intensive in nature marked by Gross Current Assets (GCA) of 120 days 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 profile owing to the gradually improving accruals.

Outlook: Stable

Acuité believes that the outlook of the company will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, improving operating income and above average financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile or further elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	117.25	81.76
PAT	Rs. Cr.	4.54	2.06
PAT Margin	(%)	3.87	2.51
Total Debt/Tangible Net Worth	Times	0.49	0.79
PBDIT/Interest	Times	3.23	2.30

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

Not Applicable

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-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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
05 Jul 2022	Letter of Credit	Short Term	4.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	0.30	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	2.70	ACUITE A3+ (Assigned)
	Term Loan	Long Term	15.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.38	ACUITE BBB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	5.32	ACUITE BBB Stable (Reaffirmed)
24 Jun 2022	Term Loan	Long Term	5.32	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	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)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A3+ Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB Stable Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.50	ACUITE BBB Stable Assigned
Indian Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.04	ACUITE BBB Stable Reaffirmed
Indian Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.50	ACUITE BBB Stable Assigned
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A3+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.06	ACUITE BBB Stable Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	14.60	ACUITE BBB Stable Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.00	ACUITE BBB Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Geeta Karira Analyst-Rating Operations Tel: 022-49294065 geeta.karira@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.

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. Ratings assigned by Acuité 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. Ratings assigned by Acuité 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.