

Press Release

Unisource Papers Private Limited

April 22, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	13.50	-	ACUITE A3+ Assigned
Bank Loan Ratings	46.50	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	60.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) and short-term rating of '**ACUITE A3+**' (read as **ACUITE A Three Plus**) to the Rs.60 crore bank facilities of Unisource Papers Private Limited (UPPL). The outlook is '**Stable**'.

Rationale for Rating Assigned

The rating assigned reflects a long established track record of operations, experience of management along with improvement in scale of operations from last three years. The rating also factors in the efficient working capital management and moderate financial risk profile of the company. However, the above mentioned strengths are partly offset by the fluctuating operating profitability margins, intense competition in the industry along with supplier concentration risk.

About the Company

Unisource Papers Private Limited (UPPL) incorporated in 2005 and is promoted by Mr. Inder Aurora. The company imports, trades in, and processes a variety of paper, including kraft, test liner, and virgin. The company imports 20% of its material requirement from US, Europe, and Australia whereas remaining requirements are fulfilled from domestic markets. UPPL has three units located at Pune and two units at Sonipat with a total installed capacity of 1,20,200 MT. The company has an agreement with ITC Limited and has two units specifically dedicated for them on a Job-work model basis.

Analytical Approach

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

Key Rating Drivers

Strengths

>Established track record and experienced management

UPPL has an established track record of more than a decade in this line of business with an experienced management. The company is managed by Aurora family since its inception. The experience of the promoters has helped the company to maintain a healthy relationship with its customers and suppliers. The experience of the promoters is also reflected through improving scale of operations over the three years, with revenue of Rs.124.06 Cr in FY2021 as against Rs.87.42 Cr in FY2020 and Rs. 80.09 Cr in FY2019. Further, the Company has already achieved a turnover of Rs ~ 178 crore till February 2022 and is expecting to close this fiscal year at ~Rs.190 crore.

Acuité believes that the company will benefit from the long track record of operations along with a healthy relationship with its customer and suppliers.

>Efficient Working Capital Cycle

The company has an efficient working capital cycle marked by GCA days of 99 days as on March 31, 2021, as against 86 days as on March 31, 2020. The GCA days are driven by debtor and inventory days. The debtor days stood at 62 days as on March 31, 2021, as against 38 days as on March 31, 2020. The increase in debtor days is on the account of delay in the payment from an unorganized segment. The company generally allows a credit period of 30-45 days to its customers. The creditor days increased to 40 days as on March 31, 2021, from 27 days as on March 31, 2020 as the company followed back-to-back payment mechanism. The inventory days stood at 31 days as on March 31, 2021, as against 35 days as on March 31, 2020. The average bank limit utilisation for last six months ended February 2022 stood at 92 percent.

Acuité expects the working capital management to remain efficient over the medium term.

>Moderate Financial Risk Profile

The company has a moderate financial risk profile marked by moderate net-worth, stable gearing and moderate debt protection metrics. The tangible net-worth of the company stood at Rs.17.36 Cr as on March 31, 2021, as against Rs.15.34 Cr as on March 31, 2020, and Rs.13.48 Cr as on March 31, 2019. The improvement in net-worth is on account of accretion of profit in reserves. The overall gearing stood at 1.38 times as on March 31, 2021, as against 1.05 times as on March 31, 2020, and 1.02 times as on March 31, 2019. TOL/TNW stood at 2.19 times as on March 31, 2021, as against 1.48 times as on March 31, 2020, and 1.55 times as on March 31, 2019. The reason for increase in leverage indicators is due to debt-funded capex of Rs. 2 crores done by company in FY 2021 for additional machinery in one of the units in Pune, and Rs. 3 crores for a factory unit in Sonipat. The interest coverage stood at 2.77 times in FY2021 as against 3.27 times in FY2020 and 2.45 times in FY2019. The DSCR of the company stood at 1.67 times as on March 2021 and March 2020. The Debt to EBITDA stood at 3.96 times as on March 31, 2021, as against 3.10 times as on March 31, 2020.

Acuité believes the financial risk profile of the company is expected to remain moderate backed by moderate cash accruals and no major debt-funded capex in the near to medium term.

Weaknesses

>Fluctuating Profitability Margins

The EBITDA margins of the company are fluctuating and has declined to 4.29 percent in FY2021 from 5.63 percent in FY2020. Similarly, the PAT margin also declined to 1.63 percent in FY2021 from 2.12 percent in FY2020. The company's ability to sustain revenues while improving the profitability will be a key rating sensitive.

>Highly competitive and fragmented industry with Supplier Concentration

The paper industry is highly competitive and fragmented marked by the presence of many organized and unorganized players in this industry, thus putting pressure on the profitability margins of the company. However, this risk is partially mitigated by company's experienced management and long-standing relationships with its reputed clientele. UPPL also faces a

supplier concentration risk as more than 50% of its raw material requirements are being procured from ITC Limited.

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins leading to sustained increase in net cash accrual.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material covenants

None.

Liquidity Position: Adequate

The company has an adequate liquidity marked by sufficient net cash accruals against its maturing debt obligations. The company generated net cash accruals of Rs. 3.37 Cr and Rs. 3.01 Cr in FY2021 and FY2020 respectively against debt repayment obligations of Rs. 2.35 – 1.14 Cr for the same period. The company is expected to generate net cash accruals in the range of 6.5-11 Cr over the medium term, against debt repayment obligations of Rs. 2.5-3 Cr. Current ratio of the company stood at 1.11 times as on March 31, 2021, as against 1.02 as on March 31, 2020. The average bank limit utilisation for last six months ended February 2022 stood at 92 percent.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals to its maturing debt obligation.

Outlook: Stable

Acuité believes that UPPL will maintain a 'Stable' outlook and continue to benefit over the medium term owing to the extensive experience of the promoters, established track record of operations and moderate financial risk profile. The outlook may be revised to 'Positive' if the company achieves significant growth in revenue and improvement in profitability while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile on account of higher than expected working capital requirement.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	124.06	87.42
PAT	Rs. Cr.	2.02	1.86
PAT Margin	(%)	1.63	2.12
Total Debt/Tangible Net Worth	Times	1.38	1.05
PBDIT/Interest	Times	2.77	3.27

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

Not Applicable.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <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
<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History:

Not Applicable.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A3+ Assigned
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3+ Assigned
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BBB- Stable Assigned
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB- Stable Assigned
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A3+ Assigned
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3+ Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.17	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	16.03	ACUITE BBB- Stable Assigned
ICICI Bank Ltd	Not Applicable	Term Loan	01-04-2021	8.5	30-04-2026	2.33	ACUITE BBB- Stable Assigned
Indusind Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	5.97	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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