



**Press Release**  
**Unisource Papers Private Limited**  
**August 07, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	44.00	ACUITE BB+   Stable   Reaffirmed   Negative to Stable	-
Bank Loan Ratings	16.00	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	60.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating to '**ACUITE BB+**' (read as **ACUITE Double B Plus**) and short-term rating to '**ACUITE A4+**' (read as **ACUITE A Four Plus**) to the Rs. 60.00 Cr. bank facilities of Unisource Papers Private Limited (UPPL). The outlook is revised from '**Negative**' to '**Stable**'.

**Rationale for revision in outlook and rating reaffirmation**

The revision in outlook and reaffirmation of the rating is on account of the moderate growth in scale and improvement in operating margin. The turnover of UPPL stood at Rs. 236.62 crore in FY24 (Prov.) against Rs. 206.97 crore in FY23 reflecting a year-on-year growth of ~14.33% in FY24 (Prov.). The company witnessed positive EBITDA margins of 2.69%(Prov.) in FY24 as compared to -0.31% in FY23. Further the rating also considers efficient working capital management, however, these strengths are partially set off by below average financial risk profile marked low net-worth, moderate gearing & moderate debt protection metrics and stretched liquidity position of the company. Also, the company faces 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 1,26,200 MT. The company has an agreement with ITC Limited and has two units specifically dedicated for them on a Job-work model basis.

### **Unsupported Rating**

Not Applicable

### **Analytical Approach**

Acuité 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 stable revenue generation over the last three years. The revenue of the company improved to Rs.236.62 Cr. in FY24 (Prov.) as against Rs.206.97 Cr. in FY23 reflecting a year-on-year growth of ~14.33% in FY24 (Prov.). The EBITDA improved and stood at Rs. 6.36 Cr. in FY24 (Prov.) as against Rs. -0.65 Cr. in FY23. The operating margin of the company also improved and stood at 2.69% in FY2024 (Prov.) as against -0.31% in FY2023.

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 working capital management of the company is efficient marked by GCA days of 77 days in FY24 (Prov.) as against 83 days in FY23. The debtor days stood at 46 days in FY24 (Prov.) as against 37 days in FY23. The creditor days stood at 26 days in FY24 (Prov.) as against 20 days in FY23. The average credit period allowed by suppliers is of 40 days. The inventory holding period of the company stood similar at 22 days in FY24 (Prov.) and FY23. The average fund-based bank limit utilization for last five months ended April 2024 stood at ~92.36%.

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

### **Weaknesses**

#### **Below Average Financial Risk Profile**

The financial risk profile of the company stood below average, marked by low net worth, moderate gearing and moderate debt protection metrics. The tangible net worth at stood at similar level at Rs.16.38 Cr. as on 31 March 2024 (Prov.) as against Rs. 16.39 Cr. as on 31 March 2023. The total debt of the company stood at Rs. 43.19 Cr. in FY24(Prov.) as against Rs. 45.01 Cr. in FY23. Total debt includes Rs.3.25 Cr. of long-term debt, Rs. 36.96 Cr. of short-term debt and Rs. 2.97 Cr. of CPLTD as on 31 March 2024 (Prov.). The gearing (debt-equity) stood at 2.64 times as on 31 March 2024 (Prov.) as compared to 2.75 times as on 31 March 2023. Interest Coverage Ratio stood at 1.46 times for FY24 (prov.) as against -0.09 times for FY23. Debt Service Coverage Ratio (DSCR) stood at 0.92 times in FY24 (prov.) as against 0.19 times in FY23. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 3.65 times as on 31 March 2024 (Prov.) as against 3.52 times as on 31 March 2023. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.05 times for FY24 (Prov.) as against -0.06 times for FY23.

Acuité believes ability of the company to improve its capital structure driven by improved operating performance and no major debt-funded capex in the near to medium term will remain a key rating monitorable.

### **Highly competitive and fragmented industry with supplier concentration risk**

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**

- Improving profitability margins while maintaining its scale of operations.
- Any further deterioration of its financial risk profile and liquidity position.
- Elongation of the working capital cycle.

### **Liquidity Position Stretched**

The company's liquidity position is stretched marked by insufficient net cash accruals against its maturing debt obligations. The company has net cash accruals of Rs. 2.04 Crore in FY24 (Prov.) against its maturing debt obligations of Rs.2.62 crore in the same tenure. Further, it is expected to generate cash accrual of ~Rs. 3.24 Cr. against the maturing repayment obligations of around Rs. 2.97 Cr. over the medium term. The company has cash and bank

balances of Rs.0.12 Cr. as on March 31, 2024 (Prov.). The current ratio stands at 0.98 times as on March 31, 2024 (Prov.) as against 1.00 times as on March 31, 2023. The average fund-based bank limit utilization for last five months ended April 2024 stood at ~92.36%.

Acuité believes that the liquidity of the company is likely to remain a key sensitivity over the medium term.

### **Outlook: Stable**

Acuité believes UPPL will maintain a 'Stable' outlook marked by improvement in the operating margins while maintaining its working capital cycle. The outlook may be revised to 'Positive' in case of higher than expected improvement in revenue and profitability margins and financial risk profile. The outlook may be revised to 'Negative' in case of deterioration of operating performance of the company along with any further deterioration of its financial risk profile and liquidity position and any elongation of the working capital cycle.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	236.62	206.97
PAT	Rs. Cr.	0.00	(4.70)
PAT Margin	(%)	0.00	(2.27)
Total Debt/Tangible Net Worth	Times	2.64	2.75
PBDIT/Interest	Times	1.46	(0.09)

### 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>
- 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>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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. Acuité'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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 May 2023	Bank Guarantee (BLR)	Short Term	2.50	ACUITE A4+ (Downgraded from ACUITE A3+)
	Bank Guarantee (BLR)	Short Term	2.00	ACUITE A4+ (Downgraded from ACUITE A3+)
	Letter of Credit	Short Term	7.50	ACUITE A4+ (Downgraded from ACUITE A3+)
	Letter of Credit	Short Term	4.00	ACUITE A4+ (Downgraded from ACUITE A3+)
	Cash Credit	Long Term	10.50	ACUITE BB+   Negative (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	1.66	ACUITE BB+   Negative (Downgraded from ACUITE BBB-   Stable)
	Proposed Long Term Bank Facility	Long Term	0.01	ACUITE BB+   Negative (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	6.33	ACUITE BB+   Negative (Downgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	7.50	ACUITE BB+   Negative (Downgraded from ACUITE BBB-   Stable)
	Channel/Dealer/Vendor Financing	Long Term	18.00	ACUITE BB+   Negative (Downgraded from ACUITE BBB-   Stable)
22 Apr 2022	Bank Guarantee (BLR)	Short Term	2.50	ACUITE A3+ (Assigned)
	Bank Guarantee (BLR)	Short Term	2.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	7.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	7.50	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	2.33	ACUITE BBB-   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.17	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	5.97	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	4.50	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB-   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	16.03	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
Indusind Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.50	ACUITE A4+   Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A4+   Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	25 Aug 2022	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.50	ACUITE BB+   Stable   Reaffirmed   Negative to Stable
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	29 May 2022	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.50	ACUITE BB+   Stable   Reaffirmed   Negative to Stable
State Bank of India	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.00	ACUITE BB+   Stable   Reaffirmed   Negative to Stable
Indusind Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.50	ACUITE A4+   Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE A4+   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.72	ACUITE BB+   Stable   Reaffirmed   Negative to Stable
Indusind Bank Ltd	Not avl. / Not appl.	Term Loan	25 Aug 2022	Not avl. / Not appl.	05 Aug 2025	Simple	4.23	ACUITE BB+   Stable   Reaffirmed   Negative to Stable
								ACUITE BB+

ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	18 Mar 2021	Not avl. / Not appl.	30 Apr 2026	Simple	1.05	Stable   Reaffirmed   Negative to Stable
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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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