

Unique organics Limited (Revised)

October 10, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	3.00 (Reduced from 6.00)	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	9.00 (Enhanced from 6.00)	CARE A4 (A Four)	Reaffirmed
Total Bank Facilities	12.00 (₹ Twelve Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Unique Organics Limited (UOL) continue to remain constrained on account of its weak debt coverage indicators, stretched liquidity, its presence in a highly competitive and fragmented industry and its profitability being susceptible to volatility of raw material prices and foreign exchange rate. The ratings also factor in growth in scale of operation but moderation in profitability in FY22 (FY refers to the period from April 1 to March 31) with increase in trading income and old bad debts written off by UOL.

The ratings, however, continue to derive comfort from experienced promoters and long track record of operations of entity of more than two and half decades and comfortable capital structure.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Sustaining scale of operations with TOI above Rs.100 crore with improvement in PBILDT margin above 2.5% on sustained basis.
- Improvement in debt coverage indicators marked by total debt to GCA of below 10 times and interest coverage of better than 2.5 times on sustained basis
- Improvement in working capital cycle below 60 days.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Decline in scale of operations below Rs.25 crore along with decline in PBILDT margin below 1% on sustained basis
- Higher than envisaged debt leading to deterioration in capital structure with overall gearing more than 1x
- Elongation of gross current asset days to more than 250 days leading to high reliance on working capital borrowings

Detailed description of the key rating drivers

Key Rating Weaknesses

Growth in scale of operations but decline in profitability in FY22

UOL's TOI registered substantial growth of 58% on y-o-y basis mainly owing to increase in trading activity with start of export broken rice while income from manufacturing of cattle feed remained stable amidst high input costs. TOI consist of export trading of around 80% of TOI [77% in FY21] and further revenue from broken rice accounts for 54% of net sales in FY22.

Profitability remained thin and further declined sharply marked by PBILDT margin of 0.82% during FY22 [1.50% in FY21] owing to written off of long-standing debtors worth Rs.5.31 crore coupled with increased export trading activity in FY22 having lower margins. PAT margin also remained very low at 0.02% during FY22 [0.08% in FY21].

In Q1FY23, UOL had reported TOI of Rs.57.54 crore with PAT of Rs.2.66 crore as compared to TOI of Rs.17.82 crore with PAT of Rs.0.44 crore in Q1FY22. Going forward, improvement in margins and bad debts volume would be key credit monitorable.

Weak debt coverage indicators

Debt coverage indicators of UOL deteriorated over the previous year on the back of substantial increase in debt level in order to fund its increasing scale of operations during FY22 and continued to remain weak marked by total debt to GCA ratio of 64.35 times [22.06 times in FY21] and interest coverage ratio of 1.27 [1.47 times in FY21] times in year ended on March 31, 2022.

Presence in a highly competitive and fragmented industry and profitability being susceptible to volatility of raw material prices and foreign exchange rate

UOL is present in a highly competitive and fragmented cattle feed industry. High competition from several unorganised players in the animal feed exports business limits negotiating power with customers and prevents passing complete hike in input rates to them.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

The key raw materials for cattle feed are agro products like bajra, maize, soyabean, etc. Since these commodities are of seasonal in nature, the availability and price of the same is affected by factors such as changes in weather conditions, low or high rainfall, production levels, etc. Prices of all those commodities are in uptrend since last one year, which pose a risk to industry players owing to limited bargaining power.

Furthermore, UOL has received around 80% of its revenue from export sales in FY22 while import remained at nil which makes UOL a net exporter. Also, UOL is not actively hedging its forex risk which makes its profitability susceptible to fluctuation in exchange rates. However, it executes derivative contract as and when management feels required.

Key Rating Strengths

Experienced promoters and long track record of operations

Mr. Jyoti Prakash Kanodia, Managing Director, holds more than three decades of experience in the same line of business. He looks after overall affairs of the company and is assisted by Ms. Madhu Kanodia, director, who looks after production and marketing function of the company. Mr. Harish Panwar, has more than a decade of experience in finance and look finance function of the company. Further, the directors are assisted by second tier management who has vast experience in their respective fields. Being present in the industry since 1993, the company has established relations with customers and the same is reflected from repeated orders from them.

Comfortable capital structure

Capital structure of UOL deteriorated marginally over the last year, however, continued to remain comfortable marked by overall gearing of 0.96 times as on March 31, 2022 [0.71 times as on March 31, 2021]. UOL has taken COVID loan during Q4FY22 of Rs.1.50 crore in order to support its working capital requirement with increase in scale of operations in FY22. However, going forward, capital structure is expected to remain moderate with increased working capital borrowings to support its growth in scale of operations.

Liquidity: Stretched

Liquidity position of UOL remained stretched marked by low cash accruals, negative cash flow from operations and low unencumbered cash and bank balance of Rs.0.01 crore as on March 31, 2022. In FY22, there was negative cash flow from operations (CFO) of Rs.6.39 crore. Further, average utilization of working capital bank borrowings remained moderate at 65-70% during last 12 months ended in June 2022. It has low term loan repayment obligations which starts from FY24. Current ratio remained moderate at 1.87 times as on March 31, 2022, while operating cycle improved to 64 days during FY22 on the back of improved collection period from 86 days in FY21 to 62 days in FY22 owing to written-off of long-standing debtors and timely collection from trade receivables.

Analytical approach: Standalone

Applicable Criteria

[CARE's Policy on Default Recognition](#)

[Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)

[Rating Methodology-Manufacturing Companies](#)

[Rating Methodology-Wholesale Trading](#)

[Financial Ratios - Non-Financial Sector](#)

[Criteria for short term instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

Jaipur (Rajasthan) based Unique Organics Limited (CIN: L24119RJ1993PLC007148) was incorporated in 1993 by Mr. Jyoti Prakash Kanodia along with their relatives and subsequently shares of the company was listed on Bombay Stock Exchange. UOL is engaged in the business of manufacturing of cattle feeds and trading of various commodities. The manufacturing plant of the company is located at Sitapura Industrial Area, Jaipur with an installed capacity of 80 tons per day of cattle feed as on March 31, 2022. The company is also engaged in the trading of spices, rice, broken rice and export to Vietnam, Australia, Czech Republic, Turkey, Ukraine and USA.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (UA)
Total operating income	61.14	96.82	57.54
PBILDT	0.92	0.79	3.99
PAT	0.05	0.02	2.66
Overall gearing (times)	0.41	0.96	NA
Interest coverage (times)	1.43	1.27	15.40

A: Audited; UA: Unaudited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	3.00	CARE BB-; Stable
Fund-based - ST-EPC/PSC		-	-	-	4.00	CARE A4
Fund-based - ST-FBN / FBP		-	-	-	5.00	CARE A4

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	3.00	CARE BB-; Stable	-	1)CARE BB-; Stable (13-Sep-21)	1)CARE BB-; Stable (31-Aug-20)	1)CARE BB-; Stable (01-Jul-19)
2	Fund-based - ST-EPC/PSC	ST	4.00	CARE A4	-	1)CARE A4 (13-Sep-21)	1)CARE A4 (31-Aug-20)	1)CARE A4 (01-Jul-19)
3	Fund-based - ST-FBN / FBP	ST	5.00	CARE A4	-	1)CARE A4 (13-Sep-21)	1)CARE A4 (31-Aug-20)	1)CARE A4 (01-Jul-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not applicable.

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-EPC/PSC	Simple
3	Fund-based - ST-FBN / FBP	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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