

Unique Organics Limited

September 13, 2021

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	6.00	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	6.00	CARE A4 (A Four)	Reaffirmed
Total Bank Facilities	12.00 (Rs. Twelve Crore Only)		

Details of 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 modest scale of operations with thin profitability, weak debt coverage indicators and stretched liquidity. The ratings, further, continue to remain constrained on account of 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 factors in growth in scale of operation but moderation in profitability in FY21 (FY refers to the period from April 1 to March 31) with increase in trading income.

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.

Key Rating Sensitivities:

Positive rating sensitivities

- Improvement in scale of operations with total operating income (TOI) above Rs.85.00 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 rating sensitivities

- 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 with high reliance on working capital borrowings

Detailed description of the key rating drivers

Key Rating Weaknesses

Growing albeit modest scale of operations with thin profitability

UOL's TOI registered substantial growth of 101% on Y-o-Y basis owing to significant increase in trading of cattle feed ingredients and spices, however, it continued to remain modest at Rs.61.14 crore during FY21. UOL has generated 77% of net sales in FY21 [39.59% in FY20] from export sales.

Operating profitability of UOL had shown declining trend marked by its thin PBILDT margin of 1.50% in FY21 [2.59% in FY20] owing to increased portion of trading activity coupled with the company had written-off long standing debtors worth Rs.3.36 crore in FY21. As a result, PAT margin of UOL also remained thin at 0.08% during FY21.

Weak debt coverage indicators

Debt coverage indicators of UOL marginally deteriorated over the previous year on the back of marginal increase in debt level as well as interest cost and continued to remain weak marked by total debt to GCA ratio of 22.06 times and interest coverage ratio of 1.43 times in year ended on March 31, 2021.

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 definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

The key raw materials for cattle feed are agro products like bajra, maize, soya, 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. Price 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 77% of its revenue from export sales in FY21 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.

Key Rating Strengths

Experienced promoters and long track record of operations of entity of more than two and half decades

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, qualification by post graduate, has more than a decade of experience in finance function 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 various large corporates and the same is reflected from repeated orders from them.

Stable outlook of Indian cattle feed market

Cattle feed industry in India is gradually evolving into an organized sector and the feed manufactures are increasingly using modern and sophisticated methods that seek to incorporate best global practices. Indian cattle feed industry has got high growth potential, given the country's top position among the world nations in respect of livestock population. Compounded Cattle Feed (CCF) products, particularly the branded ones are fast gaining popularity India, including in rural areas. In the upcoming FY22, growth of cattle feed export is expected to increase on the back of improved momentum in the global demand and liberalized policies and incentive schemes of Government of India. Further, good monsoon expectation will help to overcome the poor sentiments in the agriculture segment.

Comfortable capital structure

UOL does not have any long-term debt and total debt consists of only working capital bank borrowings which it has utilized at around 70-75% during last 12 months ended in July, 2021. As a result, capital structure of the company remained comfortable marked by overall gearing of 0.41 times as on March 31, 2021 [0.36 times as on March 31, 2020]. However, tangible net worth base of the company remained modest at Rs.12.34 crore as on March 31, 2021. Furthermore, UOL has long-standing debtors of Rs.6.76 crore outstanding for more than five years. Litigation process for the same is under process and amount which will not be recoverable will be written off in due course by UOL.

Liquidity: Stretched

Liquidity position of UOL remained stretched marked by low cash flow from operations (CFO) of Rs.0.11 crore during FY21 coupled with meagre unencumbered cash and bank balance of Rs.0.04 crore as on March 31, 2021. It has no term loan repayment obligations. Operating cycle of the company improved to 85 days during FY21 [175 days in FY20] owing to long-standing debtors written-off.

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 (UOL, CIN: L24119RJ1993PLC007148) was incorporated in 1993 by Mr Jyoti Prakash Kanodia along with their relatives and subsequently shares of the company listed on Bombay Stock Exchange. UOL is engaged in the business of manufacturing of cattle feeds. The manufacturing plant of the company is located at Sitapura Industrial Area, Jaipur with the installed capacity of 80 tons per day of cattle feed as on March 31, 2021. UOL purchase raw material from suppliers based in Indore (Madhya Pradesh), Bihar, Uttar Pradesh, Karnal (Haryana) and Rajasthan and sell its finished products to local dairy like AASHA, PAYAS and LOTUS, SAKHI MAHILA, Shri Krishna Balram Seva Trust and in

international markets with its own brand name "ROHINI". The company is also engaged in the trading of spices and export in Vietnam, Australia, Czech Republic, Turkey, Ukraine and USA.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	30.40	61.14
PBILDT	0.79	0.92
PAT	0.04	0.05
Overall gearing (times)	0.36	0.41
Interest coverage (times)	1.54	1.43

A: Audited

During Q1FY22 (Provisional), UOL has registered TOI of Rs.17.82 crore with PBILDT and PAT of Rs.0.79 crore and Rs.0.44 crore respectively.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Complexity level of various instruments rated for this company: Annexure 3

Annexure-1: Details of Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	6.00	CARE BB-; Stable
Fund-based - ST-EPC/PSC	-	-	-	3.00	CARE A4
Fund-based - ST-FBN / FBP	-	-	-	3.00	CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	6.00	CARE BB-; Stable	-	1)CARE BB-; Stable (31-Aug-20)	1)CARE BB-; Stable (01-Jul-19)	-
2.	Fund-based - ST-EPC/PSC	ST	3.00	CARE A4	-	1)CARE A4 (31-Aug-20)	1)CARE A4 (01-Jul-19)	-
3.	Fund-based - ST-FBN / FBP	ST	3.00	CARE A4	-	1)CARE A4 (31-Aug-20)	1)CARE A4 (01-Jul-19)	-

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the 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 4: Detailed explanation of covenants of the rated facilities: Nil

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Name: Mr. Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact

Group Head Name – Mr. Akhil Goyal
Group Head Contact no.- +91-8511190015
Group Head Email ID- akhil.goyal@careratings.com

Business Development Contact

Name: Mr. Deepak Prajapati
Contact no. : +91-79-4026 5656
Email ID : deepak.prajapati@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**