

Umalaxmi Organics Private Limited

May 19, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	6.50	CARE BBB; Stable / CARE A2 (Triple B ; Outlook: Stable/ A Two)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE BBB; Stable / CARE A3+; (Triple B ; Outlook: Stable / A Three Plus)
Short Term Bank Facilities	1.50	CARE A2 (A Two)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE A3+; (A Three Plus)
Total Bank Facilities	8.00 (Rs. Eight Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in short term rating assigned to the bank facilities of Umalaxmi Organics Private Limited (UOPL) factors in improvement in its liquidity profile with improvement in healthy PBILDT margin in FY21 (FY refers to the period from April 1 to March 31) and FY22 resulting in healthy cash accruals and built-up of liquidity in form of free FDs.

The ratings also continue to derive strength from experienced management with its long track record of operations, certified manufacturing facilities and geographically diversified customer base. The ratings also continue to factor in its comfortable capital structure and debt coverage indicators.

The ratings, however, continue to remain constrained on account of growing albeit moderate scale of operations, vulnerability of margins to fluctuations in the raw material prices and foreign exchange rate. The ratings, further, continue to remain constrained on account of its presence in the highly regulated industry.

Rating Sensitivities

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

- Sustained growth in scale of operations of more than 20% while maintaining healthy PBILDT margin of over 20%.

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

- Any major debt funded capex resulting in deterioration in overall gearing above 0.80 time on sustained basis.
- Decline in TOI below Rs. 75 crore with PBILDT margin falling below 15% on sustained basis.
- Increase in operating cycle beyond 120 days in sustained basis.

Detailed description of the key rating drivers

Key Rating Strengths

Continuous improvement in profitability resulting in healthy cash accruals and improved liquidity

The profitability of the company stood healthy with 20.81% PBILDT margin in FY21 which further improved in FY22 to 22.86%. PBILDT margin of the company has witnessed continuous improvement from 12.35% in FY17 to 22.86% in FY22 owing to efficient utilization of the plant while effectively managing the inventory level, its focus on higher margin yielding product mix and effectively managing the expenses.

With continuous improvement in PBILDT margin, PAT margin of the company has also improved and its GCA has increased from Rs.3.62 crore in FY17 to Rs.17.31 crore in FY22. This has resulted in improved liquidity in form of creation of FDs. It has cash and bank (including FDR) of Rs. 26.65 crore as on March 31, 2022 as compared to Rs. 6.89 crore as on March 31, 2020.

Experienced management

Mr. Rakesh Dave, MBA in International Marketing, looks after the marketing function of the company and has wide experience in the industry. Mr. Jeetesh Dave, MA in Economics, oversees the production and technical aspects of UOPL and has more than two decades of experience in the industry. Further, the directors are assisted by second tier management who have long standing experience in their respective fields. Mr. Mohit Jain, Finance head, looks after finance function of the company.

Long track record of operations with geographically diversified customer base

The company has long track record of operations and offers a wide range of the products which includes botanical extracts, organic and natural food ingredients, nutraceutical ingredients, natural food colors, super critical extracts and oils and animal health care ingredients. UOPL is adding new products continuously in its portfolio and has more than 200 active products in its portfolio. However, it generates around 41% of net sales from its top 3 products.

Further, being present in the industry since long period of time, it has established relationship with its customers in the export market. The Company sale its products in in Europe, USA, South Africa, Russia, Dubai, Australia and South East Asia countries out

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

of which the majority of sales is to USA and South-East Asian countries. During FY22, UOPL has registered 96% of net sales (93% in FY20) from exports and the remaining through domestic sales.

Certified manufacturing facilities/plant

The manufacturing facilities of UOPL have been accredited by Hazard Analysis and Critical Control Points (HACCP) for compliance of food safety management, KOSHER (certifying that the products are processed only from herbs, spices & oilseeds) and WHO (certifying the compliance of good manufacturing systems). In addition, the manufacturing plants of the company have been certified by ISO: 9001-2015, Good Manufacturing Practices (GMP), USFDA (US Foods & Drugs Administration), ORGANIC (USA), JAS for the compliance of processing of herbal extracts. In addition, UOPL has membership of American Herbal Products Association (AHPA), Spice Board of India, Shellac and Forest Products Export Promotion Council (SHEFEXIL) India, Pharmaceutical Export Promotion Council (India), and Agricultural & Processed Food Products Export Development Authority (India). Certification by these agencies lends marketing support and leads to easier acceptance of the products processed by UOPL.

Comfortable capital structure and debt coverage indicators

The capital structure of the company stood comfortable with an overall gearing at 0.07 times and TOL/TNW of 0.22 as on March 31, 2022 with lower reliance of bank borrowings and moderate networth base owing to continuous accretion of profit to reserve. Further, the debt coverage indicators of the company stood comfortable with interest coverage ratio at over 114 times in FY22, improved from 21.59 times in FY20 on account of increase in PBILDT levels and low level of interest expenses. Total debt/GCA had stood comfortable at 0.31 times as on March 31, 2022.

Key Rating Weaknesses

Growing albeit moderate scale of operations

TOI of the company has grown significantly in FY21 over FY20 from Rs.65.45 crore to Rs.101.47 crore with increase in demand of its products in export market as well as addition of new products. However, as per provisional results of FY22, TOI had remained in line with FY21 at Rs. 102.47 crore. Despite growth, the scale of operations of the company stood at moderate level in overall industry.

Presence in a highly regulated and competitive industry

UOPL is engaged in the business of processing and extraction of botanical and herbal extraction which is highly competitive in nature owing to presence of high small number of players with few large players in the industry. Further, the industry is highly regulated in nature with various approvals and accreditation required. Further, it generates major income from US market where the regulations are stringent and it has to follow compliances of U S Food and Drug Administration.

Vulnerability of margins to fluctuation in raw material prices and foreign exchange rate

The main raw materials of the company are various botanical and herbal products. The company meet out its raw material requirement from local farmers as well as traders. Being agriculture products, the prices of raw material has witnessed a fluctuating trend due to its linkage with monsoon as well as seasonality of raw material. Furthermore, the profitability of the company is exposed to fluctuation in foreign exchange rate as it does not have any active hedging policy. During FY22, it has reported a provisional foreign exchange profit of Rs. 1.42 crore as against foreign exchange loss of Rs.0.22 crore in FY21.

Liquidity: Adequate

The liquidity position of the company stood adequate with no long term debt repayment obligations, moderate cash accruals, low working capital limit utilization, healthy liquidity ratio and moderate operating cycle which has shown improvement over the period. It has free cash & bank balance of Rs.2.10 crore as on March 31, 2021 and Rs. 0.37 crore in FY22 (P). Further, the company also has FDR of Rs. 26.28 crore as on March 31, 2022. The average utilization of fund based working capital limits stood around 10% during past 12 months ended March 2022. It has generated cash flow from operating activities of Rs.20.84 crore in FY21 as against Rs.14.83 crore in FY20 owing to high operating profitability and positive working capital gap. The operating cycle of the company improved significantly from 119 days in FY20 to 60 days and 85 days respectively in FY21 and FY22 (Prov.). The improvement was basically due to reduced inventory holding and collection period. The current ratio and quick ratio stood comfortable at 4.66 times and 3.94 times respectively as on March 31, 2022.

Analytical approach: Standalone

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

[Pharmaceutical](#)

About the Company

Umalaxmi Organics Private Limited (UOPL; CIN : U01122RJ2005PTC020926) was incorporated in 2005 by Jodhpur (Rajasthan) based Dave family. UOPL is engaged in the business of processing, trading and exports of botanical and herbal extraction as well as other nutraceutical ingredients. It manufactures Herbal formulations and active ingredient raw materials and bulk specialty

ingredients with product basket of over 200 products for the Nutraceutical, Food and Beverage and Sports Nutrition industries. The plant of the company is located at Jodhpur and has total installed capacity of 4500 Metric Tonnes Per Annum (MTPA) as on March 31, 2022 (increased from 4025 MTPA as on March 31, 2020).

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (P)
Total operating income	101.47	102.47
PBILDT	21.12	23.42
PAT	14.76	16.02
Overall gearing (times)	0.04	0.07
Interest coverage (times)	44.53	114.10

A: Audited

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	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-Cash Credit	-	-	-	-	6.50	CARE BBB; Stable / CARE A2
Fund-based - ST-PC/Bill Discounting	-	-	-	-	1.50	CARE A2

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 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT/ ST-Cash Credit	LT/ST*	6.50	CARE BBB; Stable / CARE A2	-	1)CARE BBB; Stable / CARE A3+; ISSUER NOT COOPERATING* (25-Mar-22)	1)CARE BBB; Positive / CARE A3+ (19-Mar-21)	1)CARE BBB; Stable / CARE A3+ (12-Mar-20)
2	Fund-based - ST-PC/Bill Discounting	ST	1.50	CARE A2	-	1)CARE A3+; ISSUER NOT COOPERATING* (25-Mar-22)	1)CARE A3+ (19-Mar-21)	1)CARE A3+ (12-Mar-20)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities :- None

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT/ ST-Cash Credit	Simple
2	Fund-based - ST-PC/Bill Discounting	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 instrument: CARE Ratings Ltd. 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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