

Unique Organics Limited

October 05, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	3.00	CARE BB; Stable	Revised from CARE BB-; Stable
Short Term Bank Facilities	9.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the long-term rating assigned to the bank facilities of Unique Organics Limited (UOL) takes into account significant growth in its scale of operations and profitability during FY23 (Audited; FY refer to period from April 01 to March 31) along with improvement in debt coverage indicators. The ratings continue to take into consideration its comfortable capital structure, experienced promoters and long track record of operations of entity of more than two and half decades.

The ratings continue to remain constrained on account of its presence in a highly competitive and fragmented industry, its profitability being susceptible to volatility of raw material prices and foreign exchange rate, high customer and geographical concentration risk and stretched liquidity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustaining scale of operations with TOI above Rs.225.00 crore with improvement in PBILDT margin above 4.00% on sustained basis.
- Sustaining comfortable capital structure marked by overall gearing below 0.60 times on sustained basis

Negative factors

- Decline in scale of operations below Rs.100 crore along with decline in PBILDT margin below 2.50% 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 60 days leading to high reliance on working capital borrowings

Analytical approach: Standalone

Outlook: Stable

The outlook on the long-term rating of UOL is "Stable" on CARE Rating's expectation of UOL sustaining its operational and financial risk profile considering extensive experience of promoters.

Detailed description of the key rating drivers:

Key weaknesses

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. UOL majorly trades in cattle feed ingredients, spices, herbs etc. and manufacture cattle feed which are agro products like broken rice, bajra, maize, soyabean meal etc. Since these commodities are of seasonal in nature, the availability and price of the same are affected by factors such as changes in weather conditions, low or high rainfall, production levels, etc. Prices of these commodities are in uptrend since last one- two years, which pose a risk to the industry players owing to limited bargaining power. Further, UOL generates more than 75% of its revenue from export sales over the past two years while import remained 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 per market conditions. UOL has reported forex gain of Rs.2.88 crore in FY23 and Rs.0.90 crore in FY22.

High product and geographical concentration risk

During FY23, broken rice (as a cattle feed ingredient) which has abundant nutrients, starch, and crude protein, contributed around 75% of its TOI (P.Y.: 42% of its TOI) reflecting higher product concentration risk. However, its contribution to TOI stood at 61% of its TOI during Q1FY24. UOL caters to domestic as well as export market. In exports to countries like Vietnam, USA, Canada, Italy, United Kingdom, China, France etc. with highest contribution from Vietnam. Vietnam forms 92% of its TOI in FY23 (P.Y.: 75% of its TOI) which reflects geographical concentration risk exposing UOL to the economic and political risk associated with the said country or product.

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

Key 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, CFO, 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.

Significant growth in scale of operations and improvement in profitability

UOL has been registering substantial growth in its scale of operations marked by CAGR of 82.50% over past three years ended FY23. Further, during FY23, UOL's TOI grew significantly by around 91% on Y-o-Y basis, however, remained moderate at Rs.184.77 crore. The growth is mainly attributable to an increase in sales volume of broken rice as a result of higher marketing expenditures in Vietnam for expanding the market. Further, UOL is making efforts to add new products and markets to the portfolio at international levels and has started trading lumps, powder and granules of quartz, feldspar and mica from October 2023. During Q1FY24 (UA), UOL has achieved TOI of Rs.66.49 crore.

During FY23, UOL's profitability improved by 234 bps to 3.16% from 0.82% in FY22 owing to lower bad debt write offs and foreign exchange gain, which though improved remained moderate with an increased portion of trading activity and imposition of 20% export duty on broken rice from Q2FY23 onwards. Further, during Q1FY24 (UA), UOL reported PBILDT margin of 2.54%.

Improvement in debt coverage indicators and comfortable capital structure

UOL has taken COVID loan during FY22 of Rs.1.50 crore in order to support working capital requirement with an increase in scale of operations from FY22 onwards. Apart from the GECL loan, UOL has no other term loan which has scheduled repayment obligations as on March 31, 2023. The capital structure of the company continues to remain comfortable marked by overall gearing of 0.55x as on March 31, 2023 [0.96x as on March 31, 2022].

Debt coverage indicators of UOL improved in FY23 on the back of improved profitability marked by total debt to GCA of 2.20 years as on March 31, 2023 [64.35 years as on March 31, 2022] and interest coverage ratio of 7.17x in FY23 [1.27x in FY22].

Liquidity: Stretched

Liquidity position of UOL remained stretched marked by moderate cash accruals and low unencumbered cash and bank balance. However, average and maximum utilization of working capital bank borrowings remained moderate at 23% and 51% respectively during last 12 months ended in August 2023. UOL has reported GCA of 4.06 crore in FY23 as against loan repayment obligations of 0.50- 1 crore in near term. However, Current ratio remained at 2.19 times as on March 31, 2023. Further, operating cycle though improved remained moderate at 42 days during FY23 mainly on the back of improved collection period from 62 days in FY22 to 42 days in FY23 owing to written-off of long-standing debtors and timely collection from trade receivables.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Wholesale trading](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Animal Feed

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. UOL has recently started trading of minerals like quartz, MICA, feldspar etc. 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, 2023. 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, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	96.82	184.77	66.49
PBILDT	0.79	5.84	2.54
PAT	0.02	3.83	2.01
Overall gearing (times)	0.96	0.55	NA
Interest coverage (times)	1.27	7.17	13.37

A: Audited UA: Unaudited; NA: Not Available; Note: 'the above results are latest financial results available'

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	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 2023-2024	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
1	Fund-based - LT-Cash Credit	LT	3.00	CARE BB; Stable	-	1)CARE BB-; Stable (10-Oct-22)	1)CARE BB-; Stable (13-Sep-21)	1)CARE BB-; Stable (31-Aug-20)
2	Fund-based - ST-EPC/PSC	ST	4.00	CARE A4	-	1)CARE A4 (10-Oct-22)	1)CARE A4 (13-Sep-21)	1)CARE A4 (31-Aug-20)
3	Fund-based - ST-FBN / FBP	ST	5.00	CARE A4	-	1)CARE A4 (10-Oct-22)	1)CARE A4 (13-Sep-21)	1)CARE A4 (31-Aug-20)

*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

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-5: Lender details

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

Note on the 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.

Contact us

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