

Unique Organics Limited

October 10, 2024

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

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of Unique Organics Limited (UOL) take into account sustained improvement in the overall financial risk profile leading to comfortable capital structure and debt coverage indicators over past few years ended FY24 (FY refers the period from April 01 to March 31).

Ratings, continue to remain constrained on account of UOL's 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. Ratings further remain constrained on account of moderate scale of operation and net-worth base of the company.

Ratings, however, continue to derive strength from experienced promoters and long track record of operations, moderate profitability and adequate liquidity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in the scale of operations with total operating income (TOI) above ₹300 crore with profit before interest, lease rentals, depreciation and tax (PBILDT) margin above 5% on sustained basis.
- Augmentation of the tangible net-worth base with sustained profitability

Negative factors

- Significant decline in the scale of operations while decline in PBILDT margin below 2.50% on sustained basis
- Any large-size debt-funded capex leading to overall gearing above 0.40x.
- Elongation of gross current asset days to more than 60 days leading to high reliance on working capital borrowings

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings) expectations that the company will continue to benefit from the experienced promoters and sustain its comfortable financial risk profile in near to medium term.

Detailed description of key rating drivers:

Key weaknesses

Moderate scale of operation and net-worth base

During FY24, TOI of the company grew by around 10% to ₹203.64 (FY23: ₹184.77 crore) backed by continued growth in the trading sales (majorly comprises broken rice) as well as manufacturing sales.

UOL continue to derive majority of its income from the trading sales, which formed around 92% total net sales in FY24 (FY23: 93%). For Q1FY25, UOL reported TOI of ₹31.10 crore; a y-o-y decline of around 53%, due to decline in the trading sales.

UOL's financial risk profile is also constrained by its moderate net-worth base of ₹22.53 crore as on March 31, 2024.

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 mid-sized players as well as few large entities in the animal feed exports business limits the pricing power. Trading sales of UOL majorly comprises exports of various products viz. broken rice (brown and parboiled rice), soyabean meal and maize among others.

UOL also manufactures compound cattle feed, by-pass protein and area specific chelated mineral mixture which is sold in the domestic market under "Rohini" brand.

These commodities are seasonal in nature regarding its availability. Also, its prices are affected by factors such as weather conditions, rainfall pattern, sowing pattern and demand-supply dynamics. Since, UOL doesn't enter into long term supply contracts with its customers, any adverse movement in the commodity prices has bearing on its profitability.

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

UOL is a net exporter and earned around 92% of TOI from exports in FY24 (FY23: 93%), while imports are nil. Its profitability remains susceptible to the forex fluctuations, considering absence of the active hedging policy. UOL has reported forex gain of ₹1.69 crore in FY24 (₹2.88 crore in FY23).

High product and geographical concentration risk

During FY24, broken rice contributed around 73% of UOL's TOI (P.Y.: 74%) reflecting concentrated product profile. UOL has moderately diversified customer base with top 5 customers forming 57% of TOI in FY24 (FY23: 58%).

UOL caters to domestic as well as export market. Although UOL exports various countries, share of Vietnam remains significantly higher at 90% of TOI in FY24 (P.Y.: 92%), reflecting significant geographical concentration thus exposing its operations to the economic and political risk associated with the said country.

Key strengths

Sustained improvement in the capital structure and debt coverage indicators

UOL has comfortable capital structure which further improved marked by overall gearing of 0.06x as on March 31, 2024, as against 0.55x as on March 31, 2023 (0.96x as on March 31, 2022). The improvement in overall gearing was on account of augmentation of the net-worth base with plough back of profit coupled with reduction in the debt levels.

Better collection efficiency led to the growth in the cash flow from operation, which was utilised by the company to reduce its reliance on the working capital borrowing.

With the moderate profitability and low debt levels, overall debt coverage indicators of the company improved marked by PBILDT interest coverage and total debt to gross cash accruals (TDGCA) of 10.66x and 0.22 years respectively in FY24 as against 7.17x and 2.20 years respectively in FY23.

Experienced promoters and long track record of operations

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 Madhu Kanodia, director, who looks after production and marketing function of the company. Harish Panwar, CFO, has more than a decade of experience in finance and looks finance function of the company. The directors are assisted by second tier management having vast experience in their respective fields. Since its inception in 1993, the company has established robust customer relationships, as evidenced by the consistent repeat orders from its clients.

Moderate profitability

UOL's profitability marked by PBILDT margin improved by 116 bps to 4.32% during FY24 largely owing to economies of scale and better margin in some trading contracts. Also, there has not been any major bad-debt write-offs during FY24.

Further, during Q1FY25 (UA), PBILDT margin improved to 15.77% mainly on account of increase in the proportion of the manufacturing sales and remunerative prices in some of the trading contracts.

Liquidity: Adequate

UOL has adequate liquidity marked moderate GCA against low debt repayment obligation and low utilisation of its working capital limits. UOL has minimal term debt repayment obligation of ₹0.50 crore in FY25. Utilization of fund-based working capital bank borrowings remained low at 16% during last 12 months ended in June 2024.

Cash flow from operation grew from ₹3.19 crore in FY23 to ₹12.12 crore in FY24 backed by better collection efficiency with the moderation in the debtor's days to 29 days (FY23: 42 days) while inventory and creditors days remained largely stable at 9 days (FY23: 8 days) and 7 days (FY23: 9 days) respectively.

Current ratio has improved to 7.86 times as on March 31, 2024 (2.19 times as on March 31, 2023).

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Animal Feed

Jaipur (Rajasthan) based UOL (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 (BSE). UOL is engaged in the business of manufacturing of cattle feeds and trading of various commodities. Major trading activity of UOL involves exports of broken rice, soyabean meal, maize, barley and spices mainly to Vietnam, Australia, Czech Republic, Turkey, Ukraine and USA. The manufacturing plant of the company is located at Sitapura Industrial Area, Jaipur.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	184.77	203.64	31.20
PBILDT	5.84	8.80	4.90
PAT	3.83	6.34	3.66
Overall gearing (times)	0.55	0.06	NA
Interest coverage (times)	7.17	10.66	76.37

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and 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 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 2024-25	Date(s) and Rating(s) assigned in 2023-24	Date(s) and Rating(s) assigned in 2022-23	Date(s) and Rating(s) assigned in 2021-22
1	Fund-based - LT-Cash Credit	LT	3.00	CARE BB+; Stable	-	1)CARE BB; Stable (05-Oct-23)	1)CARE BB-; Stable (10-Oct-22)	1)CARE BB-; Stable (13-Sep-21)
2	Fund-based - ST-EPC/PSC	ST	4.00	CARE A4+	-	1)CARE A4 (05-Oct-23)	1)CARE A4 (10-Oct-22)	1)CARE A4 (13-Sep-21)
3	Fund-based - ST-FBN / FBP	ST	5.00	CARE A4+	-	1)CARE A4 (05-Oct-23)	1)CARE A4 (10-Oct-22)	1)CARE A4 (13-Sep-21)

LT: Long term; ST: Short term

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

Annexure-4: Complexity level of 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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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