

Umalaxmi Organics Private Limited

March 08, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term/ Short-term Bank Facilities	6.50	CARE BBB; Stable/ CARE A3+ (Triple B; Outlook: Stable / A Three Plus)	Reaffirmed
Short-term Bank Facilities	1.50	CARE A3+ (A Three Plus)	Reaffirmed
Total	8.00 (Rupees Eight crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings of UOPL continue to derive comfort from experienced management, its geographically diversified customer base and certified manufacturing facilities. The ratings, further, continue to derive strength from its financial risk profile marked by healthy profitability, comfortable solvency and liquidity position.

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

UOPL's ability to increase its scale of operations while maintaining profitability margins in light of volatile raw material price is the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Established customer base and diversified product portfolio led to continuous improvement in TOI albeit very small scale of operation in the regulatory pharmaceutical industry

UOPL is present in the processing, trading and export of nutraceutical products/herbal extracts business since 2005 and offers diversified products to its customers. UOPL's product portfolio consists of botanical and organic extracts offering wide range of products finding application in variety of therapeutic uses. During FY16 (refers to the period April 1 to March 31), TOI of UOPL has increased by 6.69% over FY15. Despite continuous growth, scale of operations of the company stood modest at Rs.44.74 crore in FY16.

Comfortable profitability margin with comfortable in solvency and liquidity position

During FY16, the PBILDT margin has largely remained stable over FY15, however, the solvency position of the company has improved continuously in last three financial ended FY16 largely with comfortable liquidity position.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Key Rating Weakness***High regulatory risk***

UOPL is engaged in the business of manufacturing of mainly intermediates products in pharmaceutical industry which is highly fragmented and competitive. Furthermore, the industry is highly regulatory nature of the industry with various approvals and accreditation required from respective Indian department. Furthermore, it generates major income from US market where the regulations are stringent and where it has to follow compliances of US FDA.

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

The main raw materials used by UOPL are organic senna leaves, garcinia, boswellia, lemon grass, peels, psyllium husk and calcium sennosides. The company met out its raw material requirement from local farmers on a land measuring 1.50 lakh square feet (lsf) to meet out the raw material requirement of UOPL. 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 is exposed to foreign exchange rate as it does not have any active hedging policy.

Analytical Approach: Standalone

Applicable Criteria

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology-Pharmaceutical](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

UOPL was incorporated during 2005 by Mr Jeetesh Dave and Mr Rakesh Dave at Jodhpur, Rajasthan. UOPL is engaged in the business of processing, trading and exports of nutraceutical products/herbal extracts. The company has two plants in Rajasthan located at Jodhpur and Sojat City with total installed capacity of 3500 Tonnes Per Annum (TPA) as on March 31, 2016. The company has marketing offices in Jaipur (Rajasthan) and Vadodara (Gujarat).

The exports constituted around 90.49% of Total Operating Income (TOI) during FY16 (~92% in FY15) and the major export destinations are Europe, USA, South Africa, Russia, Dubai and South East Asia. Its products are used directly or indirectly as dietary supplements, functional beverages, sports nutrients and in the cosmetic industry. Besides, UOPL also manufactures capsules for diabetes commonly known as sugar remedy pure herbal diabetic medicine. The main raw materials used by UOPL are organic senna leaves, garcinia, boswellia, lemon grass, peels, psyllium husk and calcium sennosides. The company met out its raw material requirement from local farmers on a land measuring 1.50 lakh square feet (lsf) to meet out the raw material requirement of UOPL.

Mr Rakesh Dave (MBA in International Marketing) looks after the international marketing functions whereas Mr. Jeetesh Dave (MA in Economics) oversees the production and technical aspects in UOPL.

During FY16 (refers to the period April 1 to March 31), UOPL has reported a total operating income of Rs.44.74 crore (FY15 Rs.41.93 crore) with a net profit of Rs.3.33 crore (FY15 Rs.3.25 crore).

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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.

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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.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is 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.

Annexure 1: Details of Instruments/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/ ST-Cash Credit	-	-	-	6.50	CARE BBB; Stable / CARE A3+
Fund-based - ST-PC/Bill Discounting	-	-	-	1.50	CARE A3+

Annexure 2: Rating History for 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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (03-Dec-15)	1)CARE BBB- (24-Dec-14)	1)CARE BB (31-Oct-13)
2.	Fund-based - LT/ ST-Cash Credit	LT/ST	6.50	CARE BBB; Stable / CARE A3+	-	1)CARE BBB / CARE A3+ (03-Dec-15)	1)CARE BBB- / CARE A3 (24-Dec-14)	1)CARE BB (31-Oct-13)
3.	Fund-based - ST-PC/Bill Discounting	ST	1.50	CARE A3+	-	1)CARE A3+ (03-Dec-15)	1)CARE A3 (24-Dec-14)	1)CARE A4 (31-Oct-13)

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