

Universal Starch Chem Allied Limited

November 01, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*) and Withdrawn
Short Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*) and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reviewed the rating assigned to the bank facilities of Universal Starch Chem Allied Limited (USCAL) to CARE B; Stable; Issuer not cooperating* / CARE A4; Issuer not cooperating* and has simultaneously withdrawn it, with immediate effect. The rating factors in the modest scale of operations coupled with moderate profitability margins, leveraged capital structure and moderate debt coverage indicators, working capital intensive nature of operations with stretched liquidity position, susceptibility of profit margins to volatility of raw material prices and presence in competitive & fragmented industry.

The ratings, however, derive strength from the company's long track record of operations coupled with diversified product portfolio, highly experienced promoters and wide end-user applications coupled with established relationship with diversified clientele & suppliers.

The rating withdrawal is at the request of the company and 'No Objection Certificate' received from the lender that has extended the facilities rated by CARE.

Detailed description of the key rating drivers

At the time of last rating on January 13, 2020 the following were the rating strengths and weaknesses: (updated for the information available from BSE website):

Key rating Weakness

Moderate scale of operation: The total operating income has improved by 11.93% and stood at Rs.297.19 crore in FY21 (vis-à-vis Rs.265.52 crore in FY20), despite impact of nationwide lockdown situation due to outbreak of Covid19 situation, further most of the revenue has generated during the last quarter of FY21. Further tangible net worth of the company stood at Rs.40.92 crore as on March 31, 2021, thus the modest scale of operation limits the financial flexibility of the company to the extent.

Moderate profitability margins: The PBILDT margin has improved by 177 bps and stood at 6.17% in FY21 (vis-à-vis 4.40% in FY21) mainly on account in decrease in cost of material consumption as a percentage of total operating income from 71.83% in FY20 to 62.99% in FY21. Owing to improvement at operating profit level, the net profit also improved by 189 bps and stood at 2.14% in FY21 (vis-à-vis 0.25% in FY20).

Leverage capital structure and moderate debt protection metrics: The capital structure of the firm stood leveraged on account of higher reliance on external debt with moderate net worth base. Further, capital structure has deteriorated as indicated by overall gearing of 1.56 times as on March 31, 2021 (vis-à-vis 1.24 times as on March 31, 2020) on account of availment of additional term loan facilities coupled with infusion of unsecured loans from promoters. The debt service coverage indicators remained weak owing to high debt level leading to high interest charges.

Working capital intensive nature of operations: The operations of the company are working capital intensive in nature with funds of over 30 days blocked in inventory and over 30-40 days blocked in debtors. On the other hand, an adequate credit period of over 75-90 days is being extended by the suppliers to the company, wherein the maximum tenor of LC is 90 days, as a result of the same the average utilization of its working capital limit stood at 75 percent for the last twelve months ended September 30, 2021.

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

Presence in competitive & seasonal industry: USAL operates in a competitive agro-commodity industry wherein a large number of organized & unorganized players are engaged in processing of various types of agro commodities, including maize. As a result of the same the company operates on low profit margins and also provides extended credit period to its customers.

Susceptibility of profit margins to fluctuation in the raw material prices which are linked to agro commodities: Given the maize being an agro-commodity, the profit margins of the company are highly exposed to availability of maize which is highly related to the production during the year and seasonality of the same, since the maize procurement season starts from October and lasts till February in Maharashtra. The aforementioned things are evident from the fluctuating material consumption cost during past three years coupled with availability of the maize resulted in fluctuation in scale of operations.

Key rating Strengths

Long track record of operations in manufacturing of maize starch coupled with diversified product portfolio: USAL possesses a long track record of over 45 years of operations in manufacturing of maize starch and other by-products. Furthermore, USAL's product portfolio is well diversified which comprises various by-products other than maize starch, viz. pregelatinized starch, liquid glucose, thin boiling starch, white dextrin, dextrose monohydrate, dextrose anhydrous, dextrose syrup, etc.

Highly experienced promoters with an average of two decades of experience in manufacturing of maize starch: The overall operations of USAL are looked after by the promoters Mr. Jitendrasinh Jaysihn Rawal, Mr. Hansarani Ripudaman Singh Vaghela, Mrs. Hansa Vaghela and Mr. Gulabsingh Chaudhary, who possess a total experience of over 45 years, 4 years, 4 years and 40 years respectively in manufacturing of maize starch.

Wide end-user applications coupled with established relationship with diversified clientele & suppliers: The products manufactured by USAL find wide end-user applications, wherein the primary product viz. MSP (Maize Starch Powder) finds application in textiles, food industry and pharmaceuticals; whereas the other by-products find application in pharmaceuticals, food processing (soups, sauces, jams, jellies, etc.), laundry, gums & adhesives, oil well drilling, chemicals, paper, etc.

Liquidity position – Stretched: Liquidity is marked by tightly matched accruals to repayment obligations, highly utilized bank limits and low cash balance. Further the investment in net working capital as a percentage of total capital employed stood at 17.46% as on March 31, 2021, whereas the net cash flow from operating activity stood Rs.5.84 crore during FY21, the unencumbered cash & bank balance was around Rs.5.88 crore as on March 31, 2021. Further the current ratio and quick ratio stood at 1.05 times and 0.66 times respectively in FY21.

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of Ratings](#)

[Policy in respect of Non-cooperation by issuer](#)

[Rating Outlook and Credit Watch](#)

[Policy on default recognition](#)

[Financial Ratios – Non-financial Sector](#)

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

[Manufacturing Companies](#)

[Short Term Instruments](#)

About the company

Incorporated in 1973 by Mr. Jitendrasinh Rawal, Universal Starch-Chem Allied Limited (USAL) is engaged in manufacturing of maize starch at its manufacturing facility located at Dondaicha in Dhule, Maharashtra, equipped with an installed capacity of 500 MT per day of maize crushing. The company is engaged in wet milling of maize for manufacturing of maize starch and other by-products which find varied applications across a wide range of industries viz. textiles, food processing, pharmaceuticals, laundry, gums & adhesives, chemicals, paper, etc. The products of the company are catered to the domestic market in major parts of India, coupled with exports to UAE, Kenya and Nigeria, forming less than 2% of the annual revenues. Moreover, the company also operates a 6 MWP power plant for captive consumption, the excess units from which are sold to the exchange. On the other hand, the primary raw material viz. maize is procured from the domestic suppliers of the same in Maharashtra.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	H1FY22 (U/A)
Total operating income	265.52	297.19	NA
PBILDT	11.67	18.33	NA
PAT	0.66	6.36	NA
Overall gearing (times)	1.24	1.56	NA
Interest coverage (times)	1.71	2.51	NA

A: Audited; H1FY22 (Period refers from April 01, 2021 to September 30, 2021);

NA: Not Available; UA: Unaudited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not Applicable

Disclosure of Interest of Managing Director & CEO: 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-Term Loan		-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantees		-	-	-	0.00	Withdrawn
Fund-based - LT-Working Capital Demand loan		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Letter of credit		-	-	-	0.00	Withdrawn

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-Term Loan	LT	-	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (13-Jan-21)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (22-Nov-19)	1)CARE BB-; Stable (30-Aug-18)
2	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (13-Jan-21)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (22-Nov-19)	1)CARE BB-; Stable (30-Aug-18)
3	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	1)CARE A4; ISSUER NOT COOPERATING* (13-Jan-21)	1)CARE A4; ISSUER NOT COOPERATING* (22-Nov-19)	1)CARE A4 (30-Aug-18)
4	Fund-based - LT-Working Capital Demand loan	LT	-	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (13-Jan-21)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (22-Nov-19)	1)CARE BB-; Stable (30-Aug-18)
5	Non-fund-based - ST-Letter of credit	ST	-	-	-	1)CARE A4; ISSUER NOT COOPERATING* (13-Jan-21)	1)CARE A4; ISSUER NOT COOPERATING* (22-Nov-19)	1)CARE A4 (30-Aug-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working Capital Demand loan	Simple
4	Non-fund-based - ST-Bank Guarantees	Simple
5	Non-fund-based - ST-Letter of credit	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 has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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