

Universal Starch-Chem Allied Limited

January 13, 2021

Rating

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	33.00	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B+; Stable; (Single B Plus; Outlook: Stable)
Short Term Bank Facilities	13.40	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Facilities	46.40 (Rs. Forty-Six Crore and Forty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated November 22, 2019, placed the rating(s) of Universal Starch-Chem Allied Limited (USCAL) under the 'issuer non-cooperating' category as USCAL had failed to provide information for monitoring of the rating. USCAL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated December 30, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion it is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The revision in rating factors in non-cooperation by USCAL and CARE's efforts to undertake a review of the ratings outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

Detailed description of the key rating drivers

At the time of last rating on November 21, 2019 the following were the rating strengths and weaknesses (updated for the information available from Bombay stock exchange):

Key Rating Weaknesses

Detailed description of the key rating drivers

Moderate scale of operations coupled with low capitalization:

Total operating income of USCAL marginally declined by 5.24% to Rs. 265.52 crore in FY20 (vis-à-vis Rs.280.21 crore in FY19). The company's total income increased by 13.60% on y-o-y basis and stood at Rs.131.07 crore in H1FY21 vis-à-vis Rs.115.38 crore in H1FY20. The tangible net worth of the company has increased to Rs.37.98 crore as on March 31, 2020 and Rs. 39.20 crore as on September 30, 2020 as against Rs.36.44 crore as on March 31, 2019.

Weak profitability margins:

PBILDT margin of the company declined and stood at 4.40% in FY20 (vis-à-vis 4.57% in FY19) and PAT margin to 0.25% in FY20 vis-à-vis 0.50% in FY19. Further company reported net profit by of Rs.1.20 crore in H1FY21 vis-à-vis net loss Rs.7.17 crore in H1FY20.

Leveraged capital structure and moderately weak debt coverage indicators:

The capital structure of USCAL has improved with the overall gearing reaching to 1.21 times as on September 30, 2020 and 1.24 times as on March 31, 2020 from 1.55 times as on March 31, 2019 owing to increase in net worth base with accretion of profit in FY20. The debt coverage indicators i.e. total debt/GCA has remained at same level from 8.25 times in FY19 to 8.94 times in FY20 (A). The interest coverage ratio deteriorated to 1.71 times in FY20 (vis-à-vis 2.10 times in FY19) due to increase in interest cost in FY20.

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

*Issuer did not cooperate; Based on best available information

Working capital intensive nature of operations:

The operations of USAL are working capital intensive in nature with funds being blocked in inventory and debtors. The inventory holding stood at 36 days in FY20 (vis-à-vis 25 days in FY19) as the company is required to maintain inventory in order to meet the regular demand flow. The collection period stood at 38 days in FY20 (vis-à-vis 33 days in FY19), given to maintain relationship with customers. 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 an LC is 90 days. Therefore the operating cycle of the company remained moderate at 10 days. The liquidity position remained weak marked by below unity current ratio and quick ratio. The current ratio stood at 0.86 times, its quick ratio at 0.51 times as on March 31, 2020 (vis-à-vis 0.8 times and 0.52 times in FY18).

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 Rawal, Mr. Ripudamansingh 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.

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on assigning outlook and credit watch to Credit Ratings](#)

[CARE's Methodology for Short-term Instruments](#)

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

[CARE's Methodology for Manufacturing Companies](#)

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

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 (utilized at 57.47% in FY18 and 83% in Q1FY19). 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)	FY19 (A)	FY20 (A)	H1FY21 (UA)
Total operating income	280.21	265.52	131.07
PBILDT	12.8	11.67	7.34
PAT	1.41	0.66	1.20
Overall gearing (times)	1.55	1.24	1.21
Interest coverage (times)	2.1	1.71	2.29

A: Audited; UA: Unaudited

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

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

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-Term Loan	-	-	-	26.00	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	5.00	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	0.40	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Demand loan	-	-	-	2.00	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	13.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	26.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (22-Nov-19)	1)CARE BB-; Stable (30-Aug-18)	-
2.	Fund-based - LT-Cash Credit	LT	5.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	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	0.40	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (22-Nov-19)	1)CARE A4 (30-Aug-18)	-
4.	Fund-based - LT-Working Capital Demand loan	LT	2.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	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	13.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (22-Nov-19)	1)CARE A4 (30-Aug-18)	-

*Issuer did not cooperate; Based on best available information

Annexure 3 Complexity level of various instruments rated for this Company

Sr. No.	Name of the 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

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.

Contact us

Media Contact

Mradul Mishra

Contact No.: +91-22-6837 4424

Email ID: mradul.mishra@careratings.com

Analyst Contact

Ms. Ruchi Shroff

Contact No. +91-22-6754 3554

Email: ruchi.shroff@careratings.com

Relationship Contact

Mr. Ankur Sachdeva

Cell: + 91 98196 98985

E-mail: ankur.sachdeva@careratings.com

Mr. Saikat Roy

Cell: + 91 98209 98779

E-mail: saikat.roy@careratings.com

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.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.