

The Sukhjit Starch & Chemicals Limited

September 14, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Fixed Deposit	80.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE A; Stable; (Single A; Outlook: Stable)
Total Medium Term Instruments	80.00 (₹ Eighty Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated March 14, 2022, placed the rating of The Sukhjit Starch & Chemicals Limited's fixed deposit under the "Issuer non-cooperating" category as SSCL had failed to furnish information/no objection certificate from all the investors for review/withdrawal of rating. SSCL continues to be non-cooperative despite repeated request for submission of information/NOCs from all the investors for carrying out review/withdrawal of rating through phone calls, and emails dated September 09, 2022, September 06, 2022, and August 02, 2022. In line with the extant SEBI guidelines, CARE has reviewed the rating based on the best available information which, however, in CARE's opinion is not sufficient to arrive at fair rating.

The revision in the rating is pursuant to Securities and Exchange Board of India SEBI's circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 03, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the CRA shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status.

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

The rating has been revised on account of non-availability of requisite information due to non-cooperation by SSCL. 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 as on March 03, 2022, the following were the rating weaknesses and strengths:

Key Rating Strengths

Experienced Promoters

SSCL was promoted by the Sardana family and associates in 1944 and has a long track record of operations. SSCL's promoters and management have vast experience in the starch/corn industry. The company's board of directors comprises of five directors looking after separate operational areas. Mr K.K. Sardana, MD has a vast experience in this field. He is supported by Mr. V.P. Kapahi, who is the Chairman of SSCL. The Board is assisted by well qualified and experienced management team from starch and food industry.

Strategic location of manufacturing units in proximity to maize producing regions

SSCL is primarily involved in processing of maize (corn) and manufacturing of starch, its derivatives and other by-products at its manufacturing units. Two of the manufacturing units (Nizamabad and Malda unit) are located in proximity to maize producing areas allowing easy availability and procurement of maize at competitive rates. Andhra Pradesh and Bihar are the leading producers of maize followed by other states like Karnataka, Uttar Pradesh, Madhya Pradesh and Rajasthan. The company has also set up a new unit as an anchor unit inside SMFP which has a maize grinding capacity of 600 TPD which has commissioned in November 2020.

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

Diversified clientele

Starch and its derivative products find application in diverse industrial and commercial application such as food & drink (confectionaries), paper & board, personal care & pharmaceuticals, textile, FMCG, animal and pet foods etc. It is used by the food industry as a sauce and soup thickener, gel former in puddings, suspension stabilizer and bodying agent in baking. The paper industry uses starch to enhance surface quality & textile industry uses it to improve fabric strength.

Improvement in financial performance during FY22

SSCL registered a growth of around 65.00% in its total operating income in FY22 which stood at Rs.1156.76 crore in FY22 (PY:699.54 crore). The PBILDT Margin improved to 13.09% in FY22 from 9.31% in FY21. The capital structure stands comfortable with overall gearing of 0.58x in FY22 (PY:0.78x). Debt coverage indicators also improved as shown by ICR of 7.25x in FY22 (PY:3.16x) and TD/GCA of 2.44x in FY22 (PY:6.33x). The capital structure is expected to further improve going forward due to increase in operations and healthy cash accruals.

Key Rating Weaknesses

Volatility in agro-based raw material availability & prices and limited price flexibility

The Maize prices remain volatile on account of various factors including fluctuations in minimum support prices (MSP) by the government, actual production levels, inflation, growth in the economy, demand supply scenario etc. Maize is mainly a rain fed kharif crop which is sown just before the onset of monsoon and is harvested after retreat of the monsoon. Cost of Maize remains high for the kharif crop where harvesting starts from mid-October owing to higher freight cost from Maharashtra and southern regions. Since majority of the clients are large fast-moving consumer goods and pharmaceutical companies, the bargaining power is limited in terms of the price flexibility. The industry is highly consolidated in terms of catering to such customers, but significant competition exists among the top 5-6 players, and this also limits the pricing flexibility to an extent.

Analytical approach: Standalone along with factoring in the debt of the subsidiary (Sukhjiti Mega Food Park & Infra Ltd) in respect of which corporate guarantee has been extended by SSCL

Applicable criteria

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

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

About the company

SSCL, promoted by the Sardana family and associates, was incorporated in 1943. SSCL is primarily engaged in the processing of maize (corn) and manufacturing of starch, its derivatives (liquid glucose, Sorbitol 70%, monohydrate dextrose, dextrin, etc) and other by-products. These products find application in diverse industrial and commercial uses such as food & drink (confectionaries), paper & board, personal care & pharmaceuticals, textile, FMCG, animal & pet foods etc. SSCL has five operational manufacturing units located at Phagwara (Punjab), Nizamabad (Telangana), Malda (West Bengal), Gur Plah (Himachal Pradesh) and one new unit which has been set up by the name of Sukhjiti Corn Products in Phagwara inside the Mega food park, which is operational from November 2020. The new unit which has been set up inside Sukhjiti Mega Food Park & Infra Ltd. (SMFP) has the maize grinding capacity of 600 TPD.

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (A)	Q1FY23 (UA)
Total operating income	699.54	1156.76	361.31
PBILDT	65.10	151.39	38.56
PAT	22.61	77.29	20.35
Overall gearing (times)	0.78	0.58	NA
Interest coverage (times)	3.16	7.25	7.23

A: Audited, UA: Unaudited, NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: 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 (₹ crore)	Rating Assigned along with Rating Outlook
Fixed Deposit		-	-	March 31, 2023	80.00	CARE BB+; Stable; ISSUER NOT COOPERATING*

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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based-Long Term	LT	-	-	-	1)CARE A; Stable (01-Mar-22) 2)Withdrawn (01-Mar-22)	1)CARE A; Stable (04-Dec-20)	1)CARE A+; Stable (26-Nov-19)
2	Term Loan-Long Term	LT	-	-	-	1)CARE A; Stable (01-Mar-22) 2)Withdrawn (01-Mar-22)	1)CARE A; Stable (04-Dec-20)	1)CARE A+; Stable (26-Nov-19)
3	Non-fund-based-Short Term	ST	-	-	-	1)CARE A1 (01-Mar-22) 2)Withdrawn (01-Mar-22)	1)CARE A1 (04-Dec-20)	1)CARE A1 (26-Nov-19)
4	Fixed Deposit	LT	80.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	1)CARE A; Stable; ISSUER NOT COOPERATING* (22-Jun-22)	1)CARE A (FD); Stable; ISSUER NOT COOPERATING* (14-Mar-22)	1)CARE A (FD); Stable (16-Dec-20) 2)CARE A (FD); Stable (04-Dec-20)	1)CARE A+ (FD); Stable (26-Nov-19)
5	Fund-based - ST-Working Capital Demand loan	ST	-	-	-	1)CARE A1 (01-Mar-22) 2)Withdrawn (01-Mar-22)	1)CARE A1 (04-Dec-20)	1)CARE A1 (26-Nov-19)
6	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE A; Stable (01-Mar-22) 2)Withdrawn	1)CARE A; Stable (04-Dec-20)	1)CARE A+; Stable (26-Nov-19)

						(01-Mar-22)		
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*Long term/Short term.

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

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fixed Deposit	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 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.

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About us:

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