

Santuka Foods Private Limited
April 20, 2021

Ratings

| Facilities / Instruments | Amount (Rs. crore) | Rating ¹ | Rating Action |
|----------------------------|--|---|--|
| Long Term Bank Facilities | 3.00 | CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B; Stable; (Single B; Outlook: Stable) |
| Short Term Bank Facilities | 3.50 | CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category |
| Total Facilities | 6.50 (Rs. Six Crore and Fifty Lakhs Only) | | |

**Details of facilities in Annexure-1*

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Santuka Foods Private Limited (SFPL) to monitor the ratings vide e-mail communications/letters dated April 13, 2021, April 15, 2021, April 16, 2021 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which, however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on SFPL's bank facilities will now be denoted as **CARE B-; Stable; ISSUER NOT COOPERATING/CARE A4; ISSUER NOT COOPERATING**. Further, the banker could not be contacted.

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

Detailed description of the key rating drivers**Key Rating Weaknesses****Small scale of operation along with low profit margins**

Santuka Foods Pvt. Ltd. is small player vis-à-vis other players in the rice milling and processing industry marked by its total operating income of Rs.6.89 crore (Rs.9.48 crore in FY19) with a PAT of Rs.0.08 crore (Rs.0.12 crore in FY19) in FY20. The profitability margins of the company remained low marked by PBILDT margin of 10.47% (9.40% in FY19) and PAT margin of 1.16% (1.29% in FY19) in FY20. The total capital employed was low at Rs.5.18 crore as on March 31, 2020. The small size restricts the financial flexibility of the company in times of stress.

Regulation by government in terms of MSP

The Government of India (GOI), every year decides a minimum support price (MSP – to be paid to paddy growers) for paddy which limits the bargaining power of rice millers over the farmers. The MSP of paddy has increased during the crop year 2020-21 to Rs.1868/quintal (as suggested by the Commission for Agricultural Costs and Prices, the apex body to advice on MSP to the government) from Rs.1815/quintal in crop year 2019-20. Given the market determined prices for finished product vis-à-vis fixed acquisition cost for raw material, the profitability margins are highly vulnerable. Such a situation does not augur well for the entity, especially in times of high paddy cultivation.

Leveraged capital structure and moderate debt coverage indicators

The capital structure of the company remained leveraged marked by overall gearing ratios of 1.82x as on March 31, 2020. Moreover, the debt coverage indicators also remained moderate as marked by total debt to GCA ratio of 9.97x. Interest coverage ratio remained moderate at 2.00x in FY20 on account of increase in PBILDT level.

Seasonal nature of availability of raw material resulting in working capital intensity and exposure to vagaries of nature

Agro product processing business is working capital intensive as the millers have to stock paddy by the end of each season till the next season as the price and quality of agro products are better during the harvesting season. Accordingly, the working capital intensity remains high impacting company's profitability. Also, agro products cultivation is highly dependent on monsoons, thus exposing the fate of the company's operation to vagaries of nature.

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

Fragmented and competitive nature of the industry

SFPL's plant is located in Jajpur, Odisha, which is in close proximity to hubs for paddy/rice cultivating region. Owing to the advantage of close proximity to raw material sources, large number of small units is engaged in milling and processing of rice in the region. This has resulted in intense competition which is also fuelled by low entry barriers. Given that the processing activity does not involve much of technical expertise or high investment, the entry barriers are low.

Experienced Promoters and long track record of operations

The key promoter, Mr. Gajendra Kumar Santuka (aged about 55 years) has around three decades of experience in rice milling industry, looks after the overall management of the company. He is supported by other director, Mr. Rahul Santuka (aged about 32 years) having an experience of around a decade in rice milling industry. Both of them look after the overall management of the company with adequate support from a team of experienced personnel. More than a decade of presence of the company, reflecting long track record in the business of rice milling activities.

Satisfactory demand outlook of the products and proximity to raw material sources

SFPL's plant is located at Jajpur, which is close to the vicinity to a major rice growing area of Odisha. The entire raw material requirement is met locally from local agents which helps the company to save substantial amount of transportation cost and also procure raw materials at effective price. Further, rice being a staple food grain with India's position as one of the largest producer and consumer, demand prospects for the industry is expected to remain good in near to medium term.

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 Policy on Default Recognition

Financial ratios – Non-Financial Sector

Criteria for Short Term Instruments

About the Company

Incorporated in December 2008, Santuka Foods Pvt. Ltd (SFPL) is engaged in rice milling activities with its manufacturing facilities located at Plot no – 184/194, Harijan Sapatna, P.O.- Shakuntalapur, Jajpur, Odisha, 754296 with aggregate installed capacity of 25000 Ton per Annum (TPA). The company was promoted by Mr. Gajendra Kumar Santuka and Mr. Mr. Rahul Santuka. The entity is also doing custom milling for Odisha State Civil Supplies Corporation Limited (OSCSCL). Mr. Gajendra Kumar Santuka has experience around three decades in rice milling industry, looks after the overall management of the company. He is supported by other director Mr. Rahul Santuka who also has experience of around a decade in this line of business. The promoters are supported by a team of experienced professionals.

| Brief Financials (Rs. crore) | 31-03-2019 | 31-03-2020 |
|-------------------------------------|-------------------|-------------------|
| | A | A |
| Total operating income | 9.48 | 6.89 |
| PBILDT | 0.89 | 0.72 |
| PAT | 0.12 | 0.08 |
| Overall gearing (times) | 2.27 | 1.82 |
| Interest coverage (times) | 2.03 | 2.00 |

A: Audited

Status of non-cooperation with previous CRA: Nil.

Any other information: Not Applicable.

Detailed explanation of covenants of the rated facilities: Annexure-3

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

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-Cash Credit | - | - | - | 3.00 | CARE B-; Stable; ISSUER NOT COOPERATING* |
| Non-fund-based - ST-Bank Guarantees | - | - | - | 3.50 | 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 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-Cash Credit | LT | 3.00 | CARE B-; Stable; ISSUER NOT COOPERATING* | - | - | 1)CARE B; Stable; ISSUER NOT COOPERATING* (28-Feb-20) | 1)CARE B+; Stable (01-Feb-19) |
| 2. | Non-fund-based - ST-Bank Guarantees | ST | 3.50 | CARE A4; ISSUER NOT COOPERATING* | - | - | 1)CARE A4; ISSUER NOT COOPERATING* (28-Feb-20) | 1)CARE A4 (01-Feb-19) |

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated facilities: Not applicable.

Annexure 4: 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. | Non-fund-based - ST-Bank Guarantees | 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:

Name: Soumen Das

Contact No.: 033-40581907

Email: soumen.das@careratings.com

Relationship Contact

Name: Sambit Das

Contact no. : 033 4058 1904

Email ID: sambit.das@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.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**