

Sanstar Limited

March 26, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	50.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Revised from CARE BBB; Stable / CARE A3+ and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from **Sanstar Limited** to monitor the rating vide e-mail communications dated March 13, 2024, February 29, 2024, February 20, 2024, January 23, 2024, among others 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 Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Sanstar Limited's bank facilities will now be denoted as CARE BB+; Stable; ISSUER NOT COOPERATING* and CARE A4+; ISSUER NOT COOPERATING*.

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

The ratings have been revised on account of non-availability of latest operational data. CARE views information availability risk as a key factor in its assessment of credit risk.

Analytical approach: Standalone

The analytical approach has been changed from Combined to Standalone on account of Sanstar Bio-Polymers Limited has been merged with Sanstar Limited as per NCLT order dated November 23, 2023.

Detailed description of the key rating drivers:

At the time of last rating on February 16, 2023, the following were the rating strengths and weaknesses (updated with available information):

Key weaknesses

Susceptibility of the profitability to volatile raw material price:

Maize is the key raw materials used by SG which accounted for ~75-80% of total cost of sales. Maize being the agriculture-based input; the operations of SG are vulnerable to inherent risks associated with agri-based inputs prices. Over the years, although the prices of various Agri-commodities remained fluctuating, maize prices have exhibited an increasing trend mainly due to heavy domestic and export demand. Further, the prices of raw materials are linked to agricultural output, which in turn, is exposed to factors such as vagaries of the monsoon, acreage, crop yield level and global demand-supply mismatches.

Presence in a competitive Agro-processing industry with competition from both organized as well as unorganized players:

Maize processing industry is highly competitive with presence of few large players like Roquette India Pvt Ltd , Gujarat Ambuja Exports Ltd , The Sukhjit Starch and Chemicals Ltd and medium sized players like Gulshan Polyols Limited , Sanstar Group with a total capacity of 1000 TPD, Sayaji Industries Limited with a total 850 TPD , Sahayadri Starch & Industries Private Limited and large no. of unorganized players these along with commoditized nature of product limits the pricing flexibility and bargaining power with customers. However, SG is among the few players having presence across starch value chain including value added products.

Key strengths

Experienced promoters and established track record of over four decades in the starch industry:

SG is one of the oldest players in the starch industry, with having past experience of trading in Tapioca starch prior to getting into manufacturing of Maize based starch. SG's promoter Mr Gautam Chowdhary (MD) has experience of more than 35 years in the industry. Mr Gautam is assisted by his two sons. Mr. Sambhav Chaudhary who is a Director and Promoter of SG and looks after the Plant as well as overall functioning of the company and Mr. Shreyans Chaudhary who is also Director and Promoter and looks after finance function of the company along with marketing activities. Both the sons are B.E (Chemical) and MBA by qualification and hold directorship in SG. As result of long-standing experience of promoters in the industry the company has developed established relations with large number of suppliers across the country, leading to smooth flow of operations. Moreover,

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

with its plant at Shirpur, Dhule, company has no shortage for acquiring the maize as Maharashtra being maize hub. Also, the other plant SBPL with its presence at Kutch, Gujarat has access to export market owing to nearness to port.

Stable industry outlook on the back of steady demand from the key end user industries:

The Indian starch and derivatives market scenario has witnessed significant changes in the last few years. Starch processing is one of the top five food processing industries in India. Maize is the major raw material used to produce starch and its other value-added derivatives. Of the total maize produced in India, only 10-12% is being consumed by the starch industry. Poultry and animal feed industry remains the top consumer of the maize. The major users of starch and its derivatives are Food, Textile, Paper and Packaging, Paints, Aluminium and Pharmaceutical sectors. All these industries are expected to have stable demand in near to medium term. As per fourth advance estimates released by the Ministry of Agriculture for the Kharif crop, total maize production for FY24 is expected at 22.48 million ton.

Moderately diverse product portfolio with Diversified clientele base across diverse industries:

Sanstar Group has moderately diversified product basket which includes maize starch and its various derivatives such as Germ, Gluten and Barn. Its recovery rate is around 65% i.e., out of current installed capacity of 1000 TPD. The group derives revenue from both domestic as well as exports. Also, SL has reputed clientele like Suguna Foods, Cargill India Pvt Ltd etc.

Successful completion of the Solar and Biofuel plants to result in lower Power and fuel cost for Sanstar Limited:

During FY23, Sanstar Limited had undertaken the projects with an intention to cut the electricity cost, which is one of the major cost components after raw material cost, by constructing a Bio-Gas engine and Solar Power Plant. The Solar plant of 3.5 MW has already commenced its operations in Dec 2022. Solar plant has been set up on 5 to 10 acres of land. The total cost incurred was Rs.15.15 crore and 75% of which was debt funded and while the balance was funded out of internal accruals. The work on the Biofuel of 1.6 MW is fully complete and the same is expected to commence operations in Feb 2023. These projects are expected to result in improving profitability margins. However, stabilisation of operation and subsequent accrual of cost benefits remains to be seen, hence remain a key monitorable.

Substantial Growth in scale of operation led by increased volume with stable PBILDT margins:

On a Combined basis, TOI of Sanstar Group grew by around 23.07% during FY23 on y-o-y basis on the back of improved demand. Total maize grinding of Sanstar Limited grew by around 32.61% on y-o-y basis to 1,77,922 MT during FY22 on the back of strong demand from the end user industries like textile, paper pharmaceuticals, food products leading to increase in the capacity utilization across the product categories. PBILDT margin of Sanstar Group improved to 6.41% during FY23 as against 5.81% in FY22, on y-o-y basis.

Comfortable capital structure and debt coverage indicators:

Capital structure of SG had shown improvement over last three years with steady growth in its net-worth base with steady accretion of the profit to the net-worth base and decline in total debt level as on March 31, 2023. Total debt of SG declined from Rs.125.36 crore as on March 31, 2022, to Rs.111.70 crore as on March 31, 2023, due to decline in the working capital borrowing and repayment of term loans. The overall gearing of SG on a combined basis improved to 0.74x as on March 31, 2023, as against 0.83x on March 31, 2022. Also TOL/TNW remained stable at 1.06x as on March 31, 2023, as compared with 1.17x as on March 31, 2022. Also, TD/GCA improved from 3.10x in FY22 to 1.80x in FY23 and PBILDT interest coverage improved from 4.38x in FY22 to 7.65x in FY23.

Stable operating cycle in FY23:

On a combined basis, operating cycle of SG remained strong at 23 days in FY23 (FY22: 22 days) and is expected to stay below 30 days. It generally keeps maize inventory of 20-30 days. SG generally avails 30-90 days of credit periods from its creditors. Debtors' days remained low with over 98% of receivables being in the below 6 months category and, SG usually provides credit of not more than 60 days.

Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

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[Short Term Instruments](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

Sanstar Group (SG) comprises of two entities, namely **SL** and **SBPL**. The group is engaged in manufacturing of Maize Starches and its by-products such as Gluten, Germ and Bran. The group is also in to trading of processed food. The Group is promoted by Mr. Gautam Choudhary, who has an experience of over 3 decades. Prior to manufacturing promoters were in to trading of Tapioca starch. The products find application in Textiles, Paper, Pharmaceutical, Food, Adhesives & many other industries.

SL commenced its operation in 2017-18. SL is engaged in manufacturing of Maize-based starch and its by-products with total installed capacity of 600 tones crushed per day (TPD), the plant is located at Shirpur, Dhule in Maharashtra.

SBPL commenced its operation in the year 2005, is in to manufacturing of Maize-based starch and its by-products with a total installed capacity of 400 tones crushed per day (TPD) located at Kutch, Gujarat.

Brief Financials (₹ crore)	March 31, 2022 (UA)	March 31, 2023 (A)**	H1FY24 (A)**
Total operating income	958.73	1181.11	549.60
PBILDT	55.72	75.69	52.27
PAT	25.79	41.94	28.80
Overall gearing (times)	0.65	0.74	NA'
Interest coverage (times)	4.38	7.65	9.35

A: Audited UA: Unaudited; 'NA': Not available Note: 'the above results are latest financial results available'

****Up till FY22, the financials pertained to combined financials of SL and SBL. However, as SBPL has been merged with SL, the financials for FY23 pertains to merged financial.**

Status of non-cooperation with previous CRA: Not applicable

Any other information: 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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT/ ST-Working Capital Limits		-	-	-	10.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-Working Capital Limits		-	-	-	40.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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 2023-2024	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
1	Fund-based - LT/ ST-Working Capital Limits	LT/ST	10.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable / CARE A3+ (16-Feb-23)	-	-
2	Fund-based - LT/ ST-Working Capital Limits	LT/ST	40.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable / CARE A3+ (16-Feb-23)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Working Capital Limits	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the 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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