# Star Agriwarehousing and Collateral Management Limited

July 10, 2024

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long term Bank Facilities | - | - | Withdrawn |
| Long Term / Short Term Bank Facilities | - | - | Reaffirmed at CARE BBB-; Stable / CARE A3 and Withdrawn |
| Short Term Bank Facilities | - | - | Reaffirmed at CARE A3 and Withdrawn |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

CARE Ratings has reaffirmed and withdrawn the ratings of CARE BBB-; Stable / CARE A3 outstanding on the bank facilities of Star Agriwarehousing and Collateral Management Limited (SACML) with immediate effect. The above action has been taken at the request of the company and based on the 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE Ratings, in line with CARE's policy on withdrawal of credit ratings. CARE Ratings has also withdrawn the rating of CARE BBB-; Stable outstanding on the term loans of SACML based on the no dues confirmation provided by the bank.

The reaffirmation of the ratings factors in SACML's experienced management team, established position as one of the leading organizations in the post-harvest services domain providing multiple supply chain management services for agricultural commodities to diversified clientele. The ratings are, however, tempered by working capital intensive nature of operations, low margins in trade facilitation and procurement business, competitive nature of the warehousing business and inherent risk in collateral management business.

**Analytical approach**: Combined approach

For arriving at the ratings, CARE Ratings has combined the financial risk profiles of SACML and Farmers Fortune (India) Private Limited (FFIPL; 100% subsidiary of SACML) owing to the significant operational, managerial and financial linkages.

## Detailed description of the key rating drivers:

### Key Strengths

### Substantial revenue growth in FY24

On a standalone basis, the top line of SACML grew at a CAGR of 19.6% between FY21 and FY24 (Prov.) to ~Rs. 258 crore in FY24 (Prov.) driven by warehousing and collateral management business. The top line of FFIPL grew at a higher CAGR of ~60% in the same period, translating into a substantial improvement in combined revenue to Rs. 962.8 crore in FY24 (Prov.) as compared to Rs. 683.7 crore in FY23.

### Experienced management

SACML is promoted by Mr. Suresh Goyal, Mr. Amit Goyal, Mr. Amit Khandelwal and Mr. Amit Agarwal who have an average industry experience of about two decades. Mr. Suresh Goyal, the Chairman & Managing Director of Staragri has over three decades of experience in running agriculture and farm related businesses. The board of directors consists of seven members with 3 independent directors.

### De-Risking the operation to improve efficiency

SAMCL has adopted various measures to de-risk its business like moving towards an asset light model, implementation of stringent risk control in collateral management and other business segments, in order to minimize future credit and liquidity risks. Further SACML has inbuilt clauses in its contracts that if they do not receive timely rentals and other allied service charges, it has the option of selling off the goods stocked and adjust their liability.

### Multiple Service Providers (supply chain management) for Agri commodities

SACML along with its wholly owned subsidiary Farmers Fortune (India) Private Limited (FFIPL) provides the entire supply chain solutions for Agri commodities. The services provided includes procurement and trade facilitation of Agri commodities (carried

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

out under FFIPL), and warehousing & storage services and collateral management carried out in SACML. It also provides allied services such as testing, certification and logistic. Further, the company provides online platform for selling and buying of commodities through Star Agri Bazaar Technology Ltd. (SATL), an entity directly held by the promoters. The group serves as a multi-model single window supply chain solutions provider and is one of the leading players in the industry.

## Key weaknesses

### Working capital intensive nature of operations

Star Agri Group's requirement of working capital arises largely because the payments from its warehousing clients are realised at the time when the clients sell the stored commodities, whereas the SACML incurs monthly fixed expenses in terms of lease rentals, salaries, GST payments etc.

### Intense competition in the warehousing business

SACML faces competition in the warehousing industry which leads to increase in warehouse lease charges borne by it at strategic locations, as warehouse owners at prime locations will offer their premises to companies offering higher rents. This industry has several established players, and it is not always possible to pass on the rise in warehouse rentals completely. The company is also exposed to the risk of crop failure in a particular location which may lead to sub-optimal utilization of the warehousing space.

### Challenging business environment in the Agri warehousing Industry

The Agriwarehousing industry faces additional challenges such as risk of deterioration in the quality of food grain being stored, instances of thefts and instances of frauds which has led to significant write offs taken by several industry peers in the last few years. Moreover, the industry also faces challenges on account of variation in rainfall leading to variation in agricultural output which can impact the demand for warehousing at a particular location. Additionally, several extraneous factors also impact performance of the sector such as farmers agitation in agrarian states, change of government which can result in revocation of warehousing contracts signed with state governments.

### Liquidity:

Current details regarding the liquidity position are not available. Kindly refer to the last Press release dated November 6, 2024 for details on the liquidity position.

### Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Withdrawal Policy
Service Sector Companies
Short Term Instruments
Consolidation
Wholesale Trading

## About the company and industry

### Industry Classification

| Macro Economic Indicator | Sector | Industry | Basic Industry |
|---|---|---|---|
| Services | Services | Transport Services | Logistics Solution Provider |

Incorporated in 2006, Star Agriwarehousing and Collateral Management Limited (SACML) is headquartered in Jaipur. SACML and its group companies provide integrated post-harvest management solutions including warehousing and collateral management for Agri-commodities. The group offers storage and preservation and collateral management services for Agri commodities along with allied services such as pest management, testing & certification and also procurement of Agri commodities. The procurement business of the group is handled through its 100% subsidiary Farmers Fortune India Pvt Ltd (FFIPL). The company has its presence in 1100+ warehouses in India spread across 16 States (mainly in the States of Rajasthan, Maharashtra, Gujarat, Haryana, MP and Bihar).

| Brief Standalone Financials (₹ crore)-SACML | March 31, 2022 (A) | March 31, 2023 (A) | March 31, 2024 (Prov) |
|---|---|---|---|
| Total operating income | 155.81 | 218.72 | 257.94 |
| PBILDT | 27.88 | 32.68 | NA |
| PAT | 11.89 | 18.51 | NA |
| Overall gearing (times) | 0.14 | 0.10 | NA |
| Interest coverage (times) | 2.61 | 5.59 | NA |

| Brief Combined Financials (₹ crore)-SACML+FFIPL | March 31, 2022 (A) | March 31, 2023 (A) | March 31, 2024 (Prov) |
|---|---|---|---|
| Total operating income | 352.76 | 683.66 | 962.83 |
| PBILDT | 31.47 | 42.07 | NA |
| PAT | 9.72 | 23.21 | NA |
| Overall gearing (times) | 0.21 | 0.15 | NA |
| Interest coverage (times) | 2.67 | 4.97 | NA |

A: Audited NA: Not Available Prov: Provisional; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for the last three years:** Annexure-2

**Covenants of the rated instruments/facilities:** Annexure-3

**Complexity level of the 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-Term Loan | | - | - | Feb-2024 | 0.00 | Withdrawn |
| Fund-based/non-fund-based-LT/ST | | - | - | - | 0.00 | Withdrawn |
| Non-fund-based - ST-Bank Guarantee | | - | - | - | 0.00 | Withdrawn |

**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 2024-2025 | 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 |
| 1 | Fund-based - LT-Term Loan | LT | - | - | - | 1)CARE BBB-; Stable (06-Nov-23) | 1)CARE BBB-; Stable (31-Mar-23) | 1)CARE BBB-; Stable (10-Feb-22)<br><br>2)CARE BB+; Stable (08-Jul-21) |
| 2 | Fund-based/Non-fund-based-LT/ST | LT/ST | - | - | 1)CARE BBB-; Stable / CARE A3 (10-Jul-24) | 1)CARE BBB-; Stable / CARE A3 (06-Nov-23) | 1)CARE BBB-; Stable / CARE A3 (31-Mar-23) | 1)CARE BBB-; Stable / CARE A3 (10-Feb-22)<br><br>2)CARE BB+; Stable / CARE A4+ (08-Jul-21) |
| 3 | Non-fund-based - ST-Bank Guarantee | ST | - | - | 1)CARE A3 (10-Jul-24) | 1)CARE A3 (06-Nov-23) | 1)CARE A3 (31-Mar-23) | 1)CARE A3 (10-Feb-22)<br><br>2)CARE A4+ (08-Jul-21) |

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

**Annexure-3: Detailed explanation of the 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-Term Loan | Simple |
| 2 | Fund-based/Non-fund-based-LT/ST | Simple |
| 3 | Non-fund-based - ST-Bank Guarantee | Simple |

## Annexure-5: Lender details

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|---|
| 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.

## Contact us


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**About us:**

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.



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