

Sudarshan Beopar Company Limited

January 22, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	16.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB-; Stable; (Double B Minus; Outlook: Stable)
Total Bank Facilities	16.00 (Rs. Sixteen Crore Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from **Sudarshan Beopar Company Limited (SBCL)** to monitor the rating vide e-mail communications/letters dated December 02, 2020, December 09, 2020 and January 04, 2021 and numerous phone calls. However, despite our repeated requests, the entity 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 SBCL's bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING***. Further due diligence with the banker and auditor could not be conducted.

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

The revision in the rating takes in account the deterioration in capital structure and debt coverage indicators during FY19 (refers the period from April 01 to March 31). Moreover, the rating continue to remain constrained by small scale of operation with low profit margins, leveraged capital structure and moderate debt coverage indicators, volatile agro-commodity prices with linkages to vagaries of the monsoon and regulated nature of the industry and intensely competitive nature of the industry with presence of many unorganized players. However, the rating continues to derive strength from experienced promoters.

Detailed description of the key rating drivers

Key Rating Weaknesses:

Small scale of operations with low profit margins: The scale of operations of the company remained small marked by total operating income of Rs.46.26 crore (Rs.40.40 crore in FY18) with a PAT of Rs.0.54 crore (Rs.0.30 crore in FY18) in FY19. The profitability margins of the company also remained low marked by PBILDT margin of 4.51% (4.50% in FY18) and PAT margin of 1.17% (0.75% in FY18) in FY19.

Leveraged capital structure with moderate debt coverage indicators: The capital structure of the company has deteriorated and remained leveraged marked by overall gearing ratio of 1.72x (0.86x as on March 31, 2018) as on March 31, 2019. Further, the debt coverage indicators also deteriorated and the same remained moderate marked by interest coverage ratio of 2.03x and total debt to GCA of 16.28x during FY19.

Volatile agro-commodity (flour) prices with linkages to vagaries of the monsoon and regulated nature of the industry: SBCL is primarily engaged in the processing of wheat products under its roller mills. Wheat being an agricultural produce and staple food, its price is subject to intervention by the government. In the past, the prices of wheat have remained volatile mainly on account of the government policies in respect of Minimum Support Price (MSP) & controls on its exports. The MSP of wheat for 2020-21 is Rs.1975/quintal increased from Rs.1925/quintal in 2019-20. Further to be noted, the prices of wheat are also sensitive to seasonality, which is highly dependent on monsoon. Any volatility in the wheat prices will have an adverse impact on the performance of the flour mill.

Intensely competitive nature of the industry with presence of many unorganized players: Flour milling industry is highly fragmented and competitive due to presence of many players operating in this sector owing to its low entry barriers, due to low capital and technological requirements. Uttar Pradesh and nearby states are a major wheat growing area with many flour mills operating in the area. High competition restricts the pricing flexibility of the industry participants and has a negative bearing on the profitability.

Key Rating Strengths

Experienced promoters: The key promoter Mr. Surendra Kumar Agarwal has more than three decades of experience in the same line of business looks after the day to day operations of the company supported by other directors.

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on assigning 'outlook' and 'credit watch'](#)

[Rating Methodology-Manufacturing Companies](#)

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

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

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

West Bengal based Sudarshan Beopar Company Limited (SBCL) incorporated in October 1979, was owned and controlled jointly by Jain and Agarwal Family. Initially the company was promoted by Shri Kashi Prasad Saraogi, Sudarshan Saraogi and Hazarimal Fatehpuria and later in the year 2008, the management was changed to Mr. Surendra Kumar Agarwal, Mr. Arun Kumar Maheshwari and Mr. Ankit Jain. SBCL is engaged in flour milling activities with its manufacturing facility located at Chandauli, Uttar Pradesh. The company manufactures atta, maida, sooji and bran sells through wholesalers and dealers with a processing capacity of 225 ton per day (TPD). The company is under process of modernization of existing manufacturing facilities along with expansion of capacity of roller mill from existing 225 TPD to 350 TPD.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	40.40	46.26
PBILDT	1.82	2.09
PAT	0.30	0.54
Overall gearing (times)	0.86	1.72
Interest coverage (times)	1.92	2.03

A: Audited

Status of non-cooperation with previous CRA: Brickwork has placed its rating under non-cooperation as per press release date December 22, 2020 due to non-mission of information by the entity.

India Ratings has placed its rating under non-cooperation as per press release date April 11, 2018 due to non-mission of information by the entity.

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-Proposed Term Loan	-	-	-	5.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	11.00	CARE B+; Stable; 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	5.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (06-Nov-19)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (22-Mar-19)	1)CARE BB+; Stable (30-Mar-18)
2.	Fund-based - LT-Cash Credit	LT	11.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (06-Nov-19)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (22-Mar-19)	1)CARE BB+; Stable (30-Mar-18)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / 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.	Fund-based - LT-Term Loan	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.

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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.

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