

Shri Sumati Oil Industries Private Limited

September 27, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	0.69	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	7.70	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable / CARE A4 (Double B; Outlook: Stable / A Four) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	2.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total	10.39 (Rs. Ten Crore and Thirty-Nine Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Shri Sumati Oil Industries Private Limited (SOIPL) to monitor the rating vide e-mail communications/letters dated July 02, 2021, August 26, 2021, September 02, 2021, September 06, 2021, September 13, 2021, September 17, 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 ratings on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, SOIPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on SOIPL's bank facilities will now be denoted as **CARE BB-; Stable / 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(s).

The ratings assigned to the bank facilities of SOIPL have been revised on account of non-availability of requisite information. The ratings also take into account SOIPL's moderate scale of operations with low profit margins, moderate capital structure as well as moderate debt coverage indicators during FY21 (provisional; FY refers to April 01 to March 31). The ratings further continued to remain constrained on account of susceptibility of margins to volatility in the agro commodity prices and exchange rate fluctuation with the company being engaged into processing of agriculture commodities along with seasonality associated with agro commodities and company's presence in the highly fragmented and government regulated industry. The ratings, however, continue to derive strength from its experienced management with established track record of operations and diversified business.

Detailed description of the key rating drivers

At the time of last rating on August 10, 2020 the following were the rating strengths and weaknesses

Detailed description of key rating drivers

Key Rating Weaknesses

Moderate scale of operations with low profit margins

The scale of operations of SOIPL as marked by Total Operating Income (TOI) improved over FY20 and remained healthy at Rs.174.22 crore during FY21 (Prov.) as against Rs.92.64 crore during FY20. Despite of improvement in scale of operations, the profitability position remained moderate as marked by PBILDT margin at 3.73% during FY21 (Prov.) as against 4.38% during

¹ Complete 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

FY20, mainly due to increase in selling expenses during FY21. PAT margin remained at 2.50% during FY21 (Prov.) as against 1.79% during FY20 mainly due to proportionate decline in interest expenses.

Moderate capital structure and debt coverage indicators

The capital structure of the entity continued to remain moderate as marked by an overall gearing ratio of 2.14 times as on March 31, 2021 (Prov.) as against 2.16 times as on March 31, 2020. The debt coverage indicators of the company continued to remain moderate as marked by total debt to GCA (TDGCA) of 5.76 years as on March 31, 2021 (Prov.) as against 6.96 years as on March 31, 2020, the improvement in TDGCA is mainly due to increase in GCA level led by profits booked during FY21. Interest coverage ratio of the company improved and remained at 6.35 times during FY21 (Prov.) as against 3.41times during FY20, led by increase in operating profits during FY21.

Susceptibility of margins to volatility in raw material prices and exchange rate fluctuation, Seasonality associated with agro commodities and presence in highly fragmented and government regulated industry

Prices of agriculture commodities remain fluctuating and depend on production yield, demand of the commodities and vagaries of weather. Hence, profitability of SOIPL is exposed to vulnerability in prices of such agriculture commodities, as it is engaged in processing of the same. Further, majority of revenue of SOIPL depends on export as export contributes around 66% of its total operating income and SOIPL is not using any active hedging policy; hence any adverse fluctuation in foreign exchange is likely to impact the profitability of the company. Furthermore, the business of the SOIPL is highly fragmented and competitive in nature, as evident by the presence of numerous unorganized and few organized players. The entry barriers in this industry are very low on account of low capital investment and technological requirement. Due to this, the players in the industry do not have any significant pricing power. Furthermore, the industry is also characterized by high degree of government control, both in procurement and sales for agriculture commodities. Government of India (GoI) decides the Minimum Support Price (MSP) payable to farmers.

Key Rating Strengths

Experienced management with established track record of operations

Mr Ashish Shah, director, a Chartered Accountant by qualification, looks after the overall affairs of the company and has 15 years of experience in the industry. Further, the management is supported by a team of 15 skilled and experienced employees for smooth functioning of the company. Being in the business since 2004, it has established relationship with its customer and suppliers, leading to continuous growth in its scale of operations.

Diversified business with moderate order book position

The company is engaged in diversified businesses and has less dependency on any one for generating its revenue. Further, SOIPL deals in varied organic products such as organic spices, organic pulses, organic oil seeds, organic grains, organic soyabean and soyameal, organic herbs and medicinal plants etc.

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](#)

[Rating Methodology - Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

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

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

About the Company

Indore-based Shri Sumati Oil Industries Private Limited (SOIPL) was incorporated in April 2004 with a purpose to engage in diversified business ranging from manufacturing and export of organic products to sorting and clearing of agricultural products on job work basis. Further, the company is also engaged in trading cum clearing member on NCDEX and MCX as well as sub broker on NSE and BSE. During FY18, SOIPL commenced manufacturing of organic soyabean and organic soyabean meals with an installed capacity of 50 tons per day as on March 31, 2020. It exports organic products which include soyabean, soyabean meal, wheat, rice, corn, groundnuts and so on majorly to USA and Canada.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (Prov.)
Total operating income	92.64	174.22
PBILDT	4.06	6.50
PAT	1.65	4.36
Overall gearing (times)	2.16	2.14
Interest coverage (times)	3.41	6.35

A: Audited, Prov.: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Covenants of rated instrument/facility: Please refer Annexure-3

Complexity level of various instruments rated for this company: Please refer 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-Long Term	-	-	-	0.69	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-Cash Credit	-	-	-	3.20	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-EPC/PSC	-	-	-	4.50	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	2.00	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-Long Term	LT	0.69	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (10-Aug-20)	1)CARE BB; Stable (03-Jul-19)	1)CARE BB-; Stable (17-Aug-18)
2.	Fund-based - LT/ ST-Cash Credit	LT/ST	3.20	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable / CARE A4 (10-Aug-20)	1)CARE BB; Stable / CARE A4 (03-Jul-19)	1)CARE BB-; Stable / CARE A4 (17-Aug-18)
3.	Fund-based - LT/ ST-EPC/PSC	LT/ST	4.50	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable / CARE A4 (10-Aug-20)	1)CARE BB; Stable / CARE A4 (03-Jul-19)	1)CARE BB-; Stable / CARE A4 (17-Aug-18)
4.	Non-fund-based - ST-Bank Guarantees	ST	2.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (10-Aug-20)	1)CARE A4 (03-Jul-19)	1)CARE A4 (17-Aug-18)

*Issuer did not cooperate; Based on best available information

Annexure 3: Covenants of rated instrument/facility: 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/ ST-Cash Credit	Simple
2.	Fund-based - LT/ ST-EPC/PSC	Simple
3.	Fund-based-Long Term	Simple
4.	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

Name - Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact

Name - Ms. Shreedha Shah
Contact no. – +91-79-40265636
Email ID- shreedha.shah@careratings.com

Relationship Contact

Name - Mr. Deepak Prajapati
Contact no. – +91-79-40265656
Email ID: deepak.prajapati@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly 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 credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. 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.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is 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.

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**