

Sudarshan Beopar Company Limited
 November 06, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	16.00	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable; Issuer Not Cooperating)	Issuer Not Cooperating; Revised from CARE BB; Stable; Issuer Not Cooperating (Double B; Outlook : Stable; Issuer Not Cooperating); based on best available information.
Total	16.00 (Rupees 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 ratings vide e-mail communications/letters dated October 31, 2019, November 04, 2019, November 05, 2019 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 SBCL's bank facilities will now be denoted as **CARE BB-; Stable; 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 ratings.

The ratings have been revised by taking into account non-availability of information and no due-diligence conducted due to non-cooperation by **Sudarshan Beopar Company Limited** with CARE'S efforts to undertake a review of the rating outstanding. CARE views information non-availability risk as a key factor in its assessment of credit risk.

Detailed description of the key rating drivers

At the time of last rating in March 22, 2019 the following were the rating strengths and weaknesses:

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.48.57 crore (Rs.66.87 crore in FY16) with a PAT of Rs.0.33 crore (Rs.0.46 crore in FY16) in FY17. Moreover, the company has reported turnover of Rs.40.22crore in 9MFY18. Further the total capital employed was also low at Rs.11.40 crore as on March 31, 2017. The profitability margins of the company remained low marked by PBILDT margin of 3.96% (3.27% in FY16) and PAT margin of 0.69% (0.69% in FY16) in FY17.

Risk associated with expansion project: SBCL is currently increasing its production capacity by installing new machines and upgrading its technology for flour mill & atta chakki with an aggregate cost of Rs.7.72 crore which will be financed by term loan of Rs.5.00 crore and promoter's contribution of Rs.2.72 crore. The financial closure for the debt portion of the project is yet to be tied up. However, the company has spent Rs.0.50 crore till February 28, 2018 funded by promoters' fund in the aforesaid project. The operation of the expanded capacity is likely to commence from Dec. 2018.

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 2017-18 is Rs.1735/quintal increased from Rs.1625/quintal in 2016-17. 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

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer not cooperating, based on best available information

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 with long track record of operations: SBCL is into flour milling business since 1979 and thus has long operational track record of around four decades. Being in the same line of business since long period, the promoters have built up established relationship with its clients and the company is deriving benefits out of this. Moreover, the key promoter Mr. Surendra Kumar Agarwal (aged, 58 years) 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.

Satisfactory demand outlook of the products and proximity to raw material sources: Wheat based products, viz. Maida, Suji and Atta have large consumption across the country in the form of bakery products, cakes, biscuits and different types of food dishes in homes and restaurants. The demand has been driven by the rapidly changing food habits of the average Indian consumer, dictated by the lifestyle changes in the urban and semi-urban regions of the country.

SBCL's unit has close proximity to local grain markets and major raw material procurement destinations. Further, West Bengal and nearby states are one of the major wheat producing area in India. Accordingly, SBCL has locational advantage in terms of proximity to raw material. This apart, the plant is located in the vicinity of industrial area of Uttar Pradesh, having good transportation facilities and other requirements like good supply of power, water etc.

Comfortable capital structure with satisfactory debt coverage indicators: The capital structure of the company improved with improvement in overall gearing ratio to 0.51x (1.08x as on March 31, 2016) as on March 31, 2017 on account accumulation of surplus into reserve and lower utilization of fund based limits as on account closing date. Furthermore, the debt coverage indicators of the company remained satisfactory marked by interest coverage of 1.97x and total debt to GCA of 5.27x in FY17. However, the interest coverage ratio deteriorated in FY17 due to higher decline in PBILDT levels vis-à-vis decline in interest expenses. However, the total debt to GCA improved in FY17 owing to low debt levels as on account closing date.

Comment on liquidity position: The comment on liquidity position is not available due to non-cooperation by the company.

Analytical approach: Standalone

Applicable Criteria

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

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

[Rating Methodology-Manufacturing Companies](#)

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

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

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)	FY16 (A)	FY17 (A)
Total operating income	66.87	48.57
PBILDT	2.19	1.92
PAT	0.46	0.33
Overall gearing (times)	1.08	0.51
Interest coverage (times)	2.03	1.97

A:Audited

Status of non-cooperation with previous CRA: India rating has placed its ratings under non-cooperation as per its press release dated April 11, 2019 due to non-submission of requisite information by the company.

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-Term Loan	-	-	-*	5.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	11.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable; ISSUER NOT COOPERATING* on the basis of best available information

*Proposed limit

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	5.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	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 BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (22-Mar-19)	1)CARE BB+; Stable (30-Mar-18)	-

* Issuer Not Cooperating; based on best available information

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:

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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.

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