

The State Trading Corporation of India Limited

June 30, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	2000	CARE D	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable)
Short-term Bank Facilities	4000	CARE D	Revised from CARE A4+ (A Four Plus)
Total	6000 (Rupees Six thousand crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of The State Trading Corporation of India Limited (STC) take into account its weak financial profile characterized by volatile operating income and high amount of outstanding trade receivables. Furthermore, CARE has also taken cognizance of the fact that there were delays in servicing of its debt obligation during FY17 (refers to the period April 1 to March 31).

Going forward, the ability of the company to strengthen its risk management policies, recovery of past dues and improvement in its profitability and capital structure will be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Weak financial risk profile: During FY17, STC's total income declined by 25.53% to Rs.8,093.72 crore from Rs.10,868.03 crore in FY16 primarily on account of decline in exports turnover attributable to non-renewal of contract relating to export of steel plates/coils to Iran, decline in import of bullions because of lower demand attributable to large imports of dore bars into the country (for which STC does not hold the license) and further decline in import revenue on account of fall in Urea sales due to lower allocation of tenders & higher indigenous production. During FY17, the PBILDT margins improved to 2.15% (1.40% in FY16), margins were to some extent improved by shift in the sales model to sale of items like Cardamom, red sanders & edible oil, etc. which though are small sale items as far as the value is concerned but they hold good margins compared to bullion sale where the company did not hold higher margins. Furthermore, STC reported net loss of Rs 165.54 crore for FY17 as against PAT of Rs 17.86 crore for FY16 as it was required to make provisions for Rs 200.67 crore in FY17 in respect of parties from whom the amount was due over 3 years.

Delays in servicing of debt obligations: There were delays recorded in repayment of debt obligations by STC to EXIM bank in the audit report of FY17. As per the discussion with the management of STC, the delays in repayment to EXIM Bank occurred on account of restructuring of the terms & conditions for the underlying loan which STC had requested EXIM Bank in view of the financial crunch. The said proposal of STC was agreed by EXIM bank vide their letter dated April 4, 2016, to STC. However the formal agreement was signed between the parties on November 29, 2016. During the interim period there was uncertainty regarding the due dates for the repayment of the debt obligation & hence the delays were reported which were though made good as soon as the management was notified.

Trade receivables outstanding for more than 6 months: As on March 31, 2017, STC had outstanding trade receivables of Rs.3,093.12 crore of which Rs.2,831.92 crore has been outstanding for more than 6 months. Although, in certain cases there are corresponding creditors under back to back arrangement and pledge of stocks and are under litigation for recovery of over dues, the overall receivables are significantly high in

comparison to the net worth of STC. Against the outstanding receivable, STC had a net worth of only Rs.19.18 crore as on March 31, 2017.

Key Rating Strengths

Long & established track record: STC was set up in May 1956, primarily with a view to undertake trade with East European Countries and to supplement the efforts of private trade and industry in developing exports from the country. As a result of liberalization of foreign trade since 1991, all export and import items earlier canalised through STC were decanalised. Presently, it is primarily engaged in the exports to Iran & trade of bullion, fertilisers, food grains, coal, cardamom, edible oil & pulses.

Predominant ownership by the Government of India: The Corporation functions under the administrative control of the Ministry of Commerce & Industry, Government of India. STC arranges import/ export of mass consumption items including rice, wheat, edible oils, sugar as per instructions of the Government. As on March 31, 2017, the Government of India had approximately 90% shareholding in STC.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

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

[CARE's Rating Methodology - Wholesale Trading](#)

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

[Criteria for Short Term Instruments](#)

About the Company

STC is a Miniratna Category-1 Central Public Sector Enterprise and is recognised by the Government of India (GOI) as a Star Trading House. It is a trading company engaged primarily in the export and import operations. The company functions under the administrative control of the Ministry of Commerce & Industry, GOI. STC has 13 branch offices in India, the major ones being at Mumbai, Kolkata, Chennai, Ahmedabad, Bangalore and Hyderabad. STC owns tank farms, warehouses, godowns at various locations of the country for storage of liquid/dry cargo. GOI holds 90% stake in the company.

STC had a total income of Rs.8,093.72 crore with net loss of Rs.165.54 crore in FY17 as compared with the total income of Rs.10,868.03 crore with a PAT of Rs.17.86 crore in FY16.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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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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.

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-Working Capital Limits	-	-	July 2018	2000	CARE D
Fund-based - ST-Term loan	-	-	-	400	CARE D
Non-fund-based - ST-BG/LC	-	-	-	3600	CARE D

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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Working Capital Limits	LT	2000	CARE D	-	1)CARE BB+; Stable (05-Jan-17)	1)CARE BB+ (01-Feb-16) 2)CARE BB (13-Apr-15)	1)CARE BB (18-Apr-14)
2.	Fund-based - ST-Term loan	ST	400	CARE D	-	1)CARE A4+ (05-Jan-17)	1)CARE A4+ (01-Feb-16) 2)CARE A4 (13-Apr-15)	1)CARE A4 (18-Apr-14)
3.	Non-fund-based - ST-BG/LC	ST	3600	CARE D	-	1)CARE A4+ (05-Jan-17)	1)CARE A4+ (01-Feb-16) 2)CARE A4 (13-Apr-15)	1)CARE A4 (18-Apr-14)

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