

## The State Trading Corporation of India Limited

December 19, 2018

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	2000	CARE D	Reaffirmed
Short-term Bank Facilities	4000	CARE D	Reaffirmed
<b>Total</b>	<b>6000</b> <b>(Rupees Six thousand crore only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating reaffirmation for the bank facilities of The State Trading Corporation of India Limited (STC) factors in the ongoing delays in servicing of the company's debt obligations. Going forward, the ability of the company to improve its liquidity position would remain the key rating sensitivity.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

**Delays in servicing of debt obligations:** The company is facing cash flow mismatches due to huge recoverable from associates with which the company had undertaken trade transactions and who had defaulted in making timely payment to STC. The company has taken legal recourse for the same for the recovery however, this has led to a financial crunch leading to delays in servicing of debt obligations.

**High Trade receivables:** As on March 31, 2018, STC had total outstanding trade receivables of Rs.3,810.58 crore of which Rs.3,645.77 crore has remained outstanding for more than 6 months.

#### Key Rating Strengths

**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, 2018, 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 recognized 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 11 branch offices in India. 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.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	8094.64	11171.95
PBILDT	169.90	192.09
PAT	-166.18	37.16*
Overall gearing (times)	301.47	37.91
Interest coverage (times)	1.06	1.06

\*Includes extraordinary income of Rs.45.36 crore which relates to write back of provisions, for doubtful amounts realized which doesn't form part of PBT.

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

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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	-	-	-	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Working Capital Limits	LT	2000.00	CARE D	-	1)CARE D (30-Jun-17)	1)CARE BB+; Stable (05-Jan-17)	1)CARE BB+ (01-Feb-16) 2)CARE BB (13-Apr-15)
2.	Fund-based - ST-Term loan	ST	400.00	CARE D	-	1)CARE D (30-Jun-17)	1)CARE A4+ (05-Jan-17)	1)CARE A4+ (01-Feb-16) 2)CARE A4 (13-Apr-15)
3.	Non-fund-based - ST-BG/LC	ST	3600.00	CARE D	-	1)CARE D (30-Jun-17)	1)CARE A4+ (05-Jan-17)	1)CARE A4+ (01-Feb-16) 2)CARE A4 (13-Apr-15)

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