



## Press Release

**Unistar Oils Private Limited**  
**May 11, 2020**

### Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	0.50* (Reduced from Rs.1 crore)	IVR BB-/Stable Outlook (IVR Double B Minus with Stable Outlook)	Revised from IVR BB/Stable; ISSUER NOT CO-OPERATING (IVR Double B with Stable Outlook; ISSUER NOT CO-OPERATING) and Removed from 'ISSUER NOT COOPERATING'
Short Term Bank Facilities	14.50 (Reduced from Rs.39 crore)	IVR A4 (IVR A Four)	Removed from 'ISSUER NOT COOPERATING'
<b>Total</b>	<b>15.00</b> <b>(Fifteen crore only)</b>		

\*Interchangeable with non-fund based limit.

### Details of Facilities are in Annexure 1

### Detailed Rationale

The revision in the rating assigned to the bank facilities of Unistar Oils Private Limited takes into account lower than expected performance by the company with a decline in operating revenue and net loss incurred in FY19. Moreover, the ratings continue to remain restricted due to customer concentration in its revenue profile, weak capital structure, depressed debt protection metrics and elongated operating cycle. Further, the ratings also notes financial stress in its other group companies, however, the ratings continues to derive support from its experienced promoters.

### Upward Factors

- Growth in scale of operations with improvement in profitability on a sustained basis.
- Improvement in liquidity driven by improvement in cash accruals.
- Sustained improvement in debt protection metrics and capital structure
- Improvement in operating cycle



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### **Downward Factors**

- More than expected moderation in operating income and/or profitability impacting the debt protection metrics
- Elongation in the operating cycle impacting the liquidity
- Withdrawal of unsecured loan treated as quasi-equity and /or moderation in the capital structure

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters**

The promoters have long-standing experience in the edible oil industry and other agro and non-agro based commodities. Further, the group's other entities; Shree Jindal Soya Ltd, Jindal Oil & Fats Ltd, IS Proteins Pvt Ltd and KK Continental Trade are also engaged in this line of business. The combined turnover of Shree Jindal Soya Ltd, Unistar Oils Pvt Ltd, and IS Proteins Pvt Ltd stood at Rs. 354.91 crore for the year ended March 31, 2019.

#### **Key Weaknesses**

##### **Financial Stress in other group companies**

The other companies of the group, Shree Jindal Soya Ltd, Jindal Oil & Fats Ltd), IS Proteins Pvt Ltd and KK Continental are also engaged in the same line of business are facing financial stress leading to delay in meeting debt servicing obligations.

##### **Weak capital structure and debt protection metrics**

The capital structure of the company deteriorated in FY19 driven by erosion in tangible net worth on account of net loss incurred in FY19. The net worth of the company deteriorated from Rs.8.14 crore as on March 31, 2018, and stood at Rs. 5.48 crore as of March 31, 2019 driven by a net loss in FY19. The overall gearing ratio and TOL/TNW weakened and stood at 4.74x and 9.60x respectively as on March 31, 2019 from 2.32x and 7.72x respectively as on March 31, 2018.



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### **Decline in operating revenue with net loss in FY19**

Unistar witnessed a decline in operating revenue mainly from fewer orders from the existing customers as well as the advisory issued by the government to restrict the import of edible oil from Malaysia. Since Unistar was solely involved in trading of edible oils, the business got impacted. The Company procures the materials from the suppliers and sell them to their customers, resulting in low EBITDA margin. Further, higher interest expense led to loss in FY19. The company earned a total operating income of Rs.19.68 crore in 9MFY20.

### **Customer concentration in revenue profile**

Unistar is exposed to a high degree of concentration risk in its revenue profile as it derived its entire revenue from its top four customers in FY19.

### **Elongated operating cycle**

The operating cycle of the company remained elongated in FY19 marked by its high collection days. The company generally provides 5-6 months of credit period to its customers and in around the same period it pays off to its suppliers. However, the average cash credit utilization of the company remained moderate at ~65% the past 12 months ended March, 2020. Going forward, effective management of working capital and early realization of receivables is a key rating monitorable.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity: Stressed**

The liquidity profile of the company is expected to remain under stress due to its expected weak operating performance in the near term. However, the company has no long term debt in its capital structure and average utilization of its working capital bank limits at around ~65% over the last 12 months ended on March, 2020 imparts some comfort.



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### About the Company

Incorporated in 2011, Unistar Oils Private Limited (Unistar) was promoted by Mr. Hemant Jindal and Mr. Umang Jindal. The company commenced operations in 2017 and is engaged in trading of edible and non-edible oils, mainly crude palm oil, crude soya bean oil and Refined, Bleached, and Deodorized (RBD) Palmolive. The company started trading in other agro commodities & non-agro commodities/ products such as Cotton, Thread, Yarn, Fabric, and other allied products and also metal- Ferrous/non-ferrous and its other allied product such as Nickel, Ferro Silicon, Magnesium ingot etc from November 2019.

### Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2018	31-03-2019
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	88.46	77.55
EBITDA	0.81	1.53
PAT	0.60	-2.66
Total Debt	18.86	25.97
Tangible Net worth <sup>^</sup>	8.14	5.48
EBITDA Margin (%)	0.91	1.98
PAT Margin (%)	0.67	-3.38
Overall Gearing Ratio (x) <sup>^</sup>	2.32	4.74

\*classification as per Infomerics standard

<sup>^</sup> Loan from directors, related parties and group companies has been treated as Quasi-equity (Rs.2.41 crore as on March 31, 2019 and March 31, 2018)

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**

### Rating History for the last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	0.50* (Reduced from INR 1.00 crore)	IVR BB- /Stable Outlook	IVR BB/Stable Outlook <b>ISSUER NOT COOPERATING</b> (April 16, 2020)	IVR BB+/Stable Outlook (February 08, 2019)	-



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		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
2.	Letter of Credit	Short Term	14.50 (Reduced from INR 39 crore)	IVR A4	IVR A4 <b>ISSUER NOT COOPERATING</b> (April 16, 2020)	IVR A4+ (February 08, 2019)	

\*Interchangeable with LC facility

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	0.50*	IVR BB-/Stable
Short Term Bank Facilities – Letter of Credit	-	-	-	14.50	IVR A4

\*Interchangeable with non-fund based facilities