



Press Release

Universal Starch Chem Allied Limited

February 02, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	54.87	IVR BBB- / Stable Outlook [IVR Triple B Minus with Stable Outlook]	Revised	Simple
Short Term Bank Facilities	15.40	IVR A3 [IVR A Three]	Revised	Simple
Total	70.27 (Rupees Seventy Crore and Twenty Seven Lakhs Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in rating of the bank loan facilities of Universal Starch Chem Allied Limited (USCAL) factors improvement in operational as well as financial performance during FY22 (Audited) and H1FY23 (Unaudited abridged financials).

Further the ratings continue to derive comfort from established track record and experienced promoters, advantages arising from its location which is in proximity to maize cultivating regions, adequate demand of the manufactured products and improvement in operational risk profile. However, these rating strengths are partially offset due to moderate debt protection metrics, risks inherent to agro-based industry, such as raw material availability and crop harvest and intense competition in the industry.

USCAL's rating outlook has been assigned to Stable on account of the improved financial risk profile and growth in demand for its products.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of business with improvement in revenue from manufacturing operations on a sustained basis



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- Improvement in profitability metrics thereby leading to improvement in cash accruals on a sustained basis
- Improvement in capital structure

Downward Factors

- Deterioration in the capital structure with TOL/ATNW gone above 3x.
- Deterioration in operating income and/or profitability impacting the debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record and experienced promoters**

Established in 1973, USCAL has an established track record of manufacturing starch and its derivatives. Further the company is headed by Mr. Jitendra Rawal who has five decades of experience in starch manufacturing industry, along with him company benefits from experienced management team, this has helped USCAL in expanding its customer base over the years, offering it revenue visibility.

- **Advantages arising from its location which is in proximity to maize cultivating regions**

Maize is the primary raw material required by the company. USCAL procures maize from various traders, suppliers and agricultural product market committees (APMCs) in the domestic market. Its manufacturing unit is located at Dhule in Maharashtra, which lies in proximity to India's key maize cultivating regions, including Gujrat & MP, ensuring uninterrupted supply of raw materials.

- **Adequate demand of the manufactured products**

The demand of starch and other related products are high within the country. India is the net importer of starch as the domestic supply doesn't meet the demand in India. The company currently produces neutral starch which has application in industries like textile, processed foods, pharmaceuticals, chemical, paper etc. On the other hand, Gluten is a high protein supplement uses for poultry feeds. Corn fibre uses of manufacturing cattle



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feeds and Germ are widely used to extract germ oil which has application in food industries.

- **Improvement in operational risk profile**

The revenues have shown significant improvement of ~54% and stood at Rs.458.45 crore in FY22 (as against Rs.297.39 crore in FY21) and further in H1FY23 the company has already achieved ~Rs.256.80 crore of revenue, which is around 50% of the projected revenue of Rs.518.06 in FY23, reflecting its strong business risk profile. The EBITDA margins have increased from 4.84% in FY19 to 6.08% in FY22 led by share of higher value-added products. The EBITDA margins are expected to remain healthy going forward backed by higher share of value-added products. However, the EBITDA margins in FY23 have a onetime impact of 30-day shutdown in H1FY23 for maintenance capex and to install large VATS for storage, increase capacity of DAH plant to 1800 Tonnes and for installation of fiber-dryer plant. As a result, the fixed cost absorption will be lower in the current year leading to some correction in margins; however, the same is expected to improve and sustain at 6% levels from FY24.

Key Rating Weaknesses

- **Moderate debt protection metrics**

The debt coverage indicators marked by interest coverage ratio and total debt to GCA has improved and stood at 3.89 times and 2.76 times respectively in FY22 (vis-à-vis 2.71 times and 5.63 times respectively in FY21) mainly due to improvement in operating profit. Further TOL/ATNW has improved and stood at 2.24 times as on March 31, 2022 (as against 2.64 times as on March 31, 2021) owing to improvement in networth base due to accretion of profits to reserves coupled with lower utilization of its working capital limits as on balance sheet date.

- **Risks inherent to agro-based industry, such as raw material availability and crop harvest**

USCAL's margins remain vulnerable to the risks inherent in an agro-based industry, such as raw material availability and crop harvest. The company remains largely dependent



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on maize as its key raw material. As a result, any disruption in the availability of maize or any fluctuations in maize prices could put pressure on USCAL's profitability.

- **Intense competition in the industry**

The company faces stiff competition from the other established players as well as small manufacturers and unorganised players in the industry, which limits its pricing flexibility and bargaining power with customers.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for assigning rating outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate in the near term marked by its expected adequate cash accruals as against its debt repayment obligations. The company is expecting to generate cash accruals to the tune of ~Rs.15-25 crore as against its debt repayment obligations of ~Rs.5.60-6.00 crore during FY23-25. However, the average utilisation of bank borrowings was remained moderate at ~51% during the past 12 months ended in December 2022 indicating a enough liquidity cushion.

About the Company

Universal Starch Chem Allied Limited (USCAL), was incorporated in 1973 by Mr. Jitendrasinh Rawal and family. It is engaged in manufacturing maize starch at its facility located at Dhule, Maharashtra. The company is engaged in wet milling of maize for manufacturing of maize starch and other by-products which finds applications in textile, processed foods, pharmaceuticals, chemical, paper and other industries. Additionally, processed maize also yields gluten, germ seed and fibre. Gluten finds application in animal feed industry. Fiber is used as cattle feed. Germ is used in the extraction of corn oil. Further



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the company has diversified its product portfolio in new value added product such as Maize Oil & liquid glucose Company has installed capacity of 500 MT per day of maize crushing.

Financials (Standalone)*:

(Rs. Crore)			
For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)	H1FY23 (Unaudited)
Total Operating Income	297.39	458.45	256.80
EBITDA	18.53	27.88	8.97
PAT	6.36	11.44	1.81
Total Debt	56.40	44.65	50.01
Tangible Net worth	48.17	57.65	54.16
EBITDA Margin (%)	6.23	6.08	3.49
PAT Margin (%)	2.14	2.50	0.71
Overall Gearing Ratio (times)	1.17	0.77	0.92

*Classification as per Infomerics standards

H1FY23 (Period refers from April 01, 2022 to September 30, 2022)

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

		Current Ratings (Year 2022-23)			Rating History for the past 3 years		
Sr. No.	Name of Instrument / Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
Press Release					28-Dec-2021	–	–
1.	Rupee Term Loan	Long Term	22.87	IVR BBB- / Stable	IVR BB+ / Positive	–	–
2.	Fund Based – Cash Credit	Long Term	32.00	IVR BBB- / Stable	IVR BB+ / Positive	–	–
3.	Non-Fund Based – Letter of Credit	Short Term	15.00	IVR A3	IVR A4+	–	–
4.	Non-Fund Based – Bank Guarantee	Short Term	0.40	IVR A3	IVR A4+	–	–



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Name and Contact Details of the Rating Analyst:

Name: Mr. Rupesh Dhuri	Name: Mr. Prakash Kabra
Tel: (022) 62396023	Tel: (022) 62396023
Email: rupesh.dhuri@infomerics.com	Email: prakash.kabra@infomerics.com

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com

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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 – Rupee Term Loan	–	–	Jul – 2026	22.87	IVR BBB- / Stable
Long Term – Fund Based – Cash Credit	–	–	–	32.00	IVR BBB- / Stable
Short Term – Non-Fund Based – Letter of Credit	–	–	–	15.00	IVR A3
Short Term – Non-Fund Based – Bank Guarantee	–	–	–	0.40	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-USCAL-feb23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.