



Press Release

Universal Starch Chem Allied Limited (USCAL)

December 28, 2021

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities	57.60	IVR BB+/ Positive (IVR Double B Plus with Positive Outlook)	Assigned
Long Term Bank Facilities (Proposed)	2.00	IVR BB+/ Positive (IVR Double B Plus with Positive Outlook)	Assigned
Short Term Bank Facilities	15.40	IVR A4+ (IVR A Four Plus)	Assigned
Total	75.00		

Details of facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Universal Starch Chem Allied Limited (USCAL) derives strength from the established track record and experienced promoters, Improvement in operational risk profile, advantages arising from its location which is in proximity to maize cultivating regions, adequate demand of the manufactured products. 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 positive on account of expected substantial improvement in revenue as well as profitability in FY22.



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Key Rating Sensitivities:

Upward Factor:

- Growth in scale of business with improvement in revenue from manufacturing operations on a sustained basis.
- Improvement in profitability metrics thereby leading to improvement in cash accruals on a sustained basis.
- improvement in capital structure.

Downward Factor:

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

Detailed Description of Key Rating Drivers

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.

Improvement in operational risk profile

The revenue of the company has increased by ~12% in FY21 as compared to previous year. Further company has recorded revenue of Rs219.86 crore in H1FY22 as against Rs.297.39 crore in FY21 reflecting its strong business risk profile. The EBITDA margin has improved to 6.23% in FY21 as against 4.57% in FY20 on account of increase in revenue from new value added products like Maize oil & Liquid glucose.



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

Key Rating Weaknesses

Moderate debt protection metrics

The debt protection metrics is moderate marked by its leverage capital structure and gearing ratio. During FY21 the TOL/Adjusted TNW stood moderate at 2.64x as against 2.93x in FY20. Further overall gearing stood moderate at 1.17x in FY21 as against 1.13x in FY20.

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 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.



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Analytical Approach: Standalone

Applicable Criteria:

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.15-21 crore as against its debt repayment obligations of ~Rs.8.25-8.66 crore during FY22-24. However, the average utilisation of bank borrowings was remained moderate at ~79% during the past 12 months ended in October, 2021 indicating a moderate liquidity buffer.

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 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.



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Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	266.01	297.39
EBITDA	12.16	18.53
PAT	0.66	6.36
Total Debt	45.20	56.40
Tangible Net Worth	39.96	48.17
EBITDA Margin (%)	4.57	6.23
PAT Margin (%)	0.25	2.14
Overall Gearing Ratio (x)	1.13	1.17

* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: Nil

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Bank Facilities	Long Term	57.60	IVR BB+/Positive	-	-	-
2.	Fund Based Bank Facilities (Proposed)	Long Term	2.00	IVR BB+/Positive	-	-	-
3.	Non Fund Based Bank Facilities	Short Term	15.40	IVR A4+	-	-	-

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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 Fund Based Facility – Term Loans	-	-	Upto July, 2026	40.60	IVR BB+/ Positive
Long Term Fund Based Facility – Cash Credit	-	-	-	17.00	IVR BB+/ Positive
Long Term Fund Based Facility – Proposed	-	-	-	2.00	IVR BB+/ Positive
Short Term Non-Fund Based Facility – LCs	-	-	-	15.00	IVR A4+
Short Term Non-Fund Based Facility – BGs	-	-	-	0.40	IVR A4+



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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Universal-Starch-lenders-dec21.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loans	Simple
2.	Cash Credit	Simple
3.	Letter of Credit	Simple
4.	Bank Guarantee	Simple

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.