



## Infomerics Valuation And Rating Pvt. Ltd.

### Unistar Oils Private Limited

February 8, 2019

#### Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1	Bank Facilities- Long Term	1.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
2.	Bank Facilities- Short Term	39.00	IVR A4+ (IVR A Four Plus)

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating draws comfort from the extensive experience of its promoters in the edible oil industry. This strength is partially offset by nascent stage of operations of the Company, low profitability, customer concentration risk in revenue profile and small net worth. Scaling up of operations, profitability and capital structure are the key rating sensitivities.

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

##### Key Rating Strengths

##### *Experienced promoters*

The promoter family has over five decades experience in the edible oil industry. 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 promoters are assisted in the day-to-day operation by a team of professionals. The Company is likely to benefit from the extensive experience of its promoters over the medium term.



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### **Key Rating Weaknesses**

#### ***Nascent Stage of Operations***

Unistar commenced operations in mid 2017. Due to nascent stage, the scale of operations remained modest as reflected in operating income of Rs.90.16crore for FY18.

#### ***Low Profitability***

Unistar is purely into trading of edible/ non edible oils. The Company procures the materials from the suppliers and sells them to their customers, resulting in low margins. As is typical in any trading entity, the profitability is expected to remain thin.

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

Unistar is exposed to high degree of concentration risk in its revenue profile as it derived around 91 per cent of its revenue from top 5 customers in FY18. Further, two customers contributed ~ 43 per cent to its sales in FY18.

#### ***Small net worth***

The Company had a small net worth of Rs.5.73crore as on March 31, 2018, which restricts its financial flexibility to raise additional funds. Though the net worth is likely to improve over the medium term on the back of increase in accretion to reserves, it will remain modest.

### **Analytical Approach & Applicable Criteria:**

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Criteria on Default Recognition and Post-Default Curing Period



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### **Liquidity**

Unistar is expected to generate sufficient accruals over the medium term as against nil repayment obligations due to the absence of any term debt in its books. It has satisfactory interest coverage ratio and also has group support to meet any shortfall.

### **About the Company**

Unistar Oils Private Limited (Unistar) was incorporated as a Private Limited Company in 2011. The Company is promoted by Mr.Hemant Jindal and Mr.Umang Jindal and commenced operations in 2017. The Company is engaged in the trading of edible and non edible oils, mainly crude palm oil, crude soya been oil and Refined, Bleached, and Deodorized (RBD) Palmolive.

### **About Jindal Oil Group**

Jindal Oil Group is a well-established group based in North India having corporate office at New Delhi. The group comprises of Shree Jindal Soya Limited, Unistar Oils Pvt Ltd, IS Proteins Pvt Ltd, Jindal Oil & Fats Ltd and KK Continental Trade and is engaged in trading of edible and non edible oil which is being imported from Indonesia, Malaysia, Argentina& Brazil etc and supplied to oil refineries, solvent processing units and also to domestic traders.

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### Financials (Standalone):

	(Rs. crore)	
For the year ended*	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	21.83	90.16
EBITDA	0.19	2.51
PAT	0.13	0.60
Total Debt	-	-
Tangible Net worth	5.13	5.73
EBITDA Margin (%)	0.86	2.79
PAT Margin (%)	0.58	0.67
Overall Gearing Ratio (x)	-	-

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Brickwork Rating has put the rating of BWR BB-/Stable and BWR A4 in Issuer not cooperating category as the company did not submit the requisite information to them.

**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits – Cash Credit	Long Term	1.00	IVR BB+/Stable			
2.	Short Term Non Fund Based Limits – Letter of Credit	Short Term	39.00	IVR A4+			

**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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## Infomerics Valuation And Rating Pvt. Ltd.

### 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	-	-	-	1.00	IVR BB+/Stable
Short Term Bank Facilities – Letter of Credit	-	-	-	39.00	IVR A4+