

November 05, 2024

Star Global Endura Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term- Fund based- Cash credit	8.40	6.40	[ICRA]B+(Stable); reaffirmed
Long-term fund based – Bill discounting facility	2.00	2.00	[ICRA]B+(Stable); reaffirmed
Long-term - Fund based-Term loan	2.10	1.37	[ICRA]B+(Stable); reaffirmed
Short-term-Non-Fund Based-Bank guarantee	2.00	2.00	[ICRA]A4; reaffirmed
Short-term-Non-fund based-Letter of credit	4.50	4.50	[ICRA]A4; reaffirmed
Short-term-Non-fund based-Forward contract	-	3.00	[ICRA]A4; reaffirmed
Long-term/short-term-Unallocated	4.00	3.73	[ICRA]B+(Stable)/ [ICRA]A4; reaffirmed
Total	23.00	23.00	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of ratings favourably factors in the decade-long record of Star Global Endura Limited (SGEL), extensive experience of its promoters in the industry and its long relationships with clients. However, the ratings remain constrained by the modest scale of SGEL's operations and its weak debt metrics. Moreover, the company reported losses in the previous fiscal, which translated into further moderation of its credit metrics and had to rely on promoter unsecured loans to meet its commitments. ICRA expects that the company will continue to rely on promoter loans to meet its debt servicing commitments, as the cash generation is likely to remain weak in the near term. While its sales and profitability are likely to improve in the current fiscal, the same will remain lower than FY2022 levels. Moreover, the ratings remain constrained by the relatively higher working capital intensity of operations and the exposure of the company to intense competition.

The Stable outlook on SGEL's long-term rating reflects ICRA's opinion that the company's revenue and profit growth would be supported by the demand for its products and long relationships with its clients and the promoters will support the entity by infusion of unsecured loans to meet the debt servicing requirements.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters - SGEL's promoters, with over two decades of experience in the industry, had started with Supreme Polymers Private Limited (SPPL) in 1997. Subsequently, they established other companies, including SGEL.

Long relationships with clients - The company has healthy relationships with its clients, reflected in the repeat orders it receives.

Credit challenges

Exposure to intense competition - The packaging industry is highly fragmented because of low entry barriers on account of relatively smaller capital and technology requirements, low gestation period and easy availability of raw materials. This restricts growth opportunities for existing players to expand into new geographies.

Weak credit profile - In FY2024, the company reported a loss of Rs. 1.38 crore, as the operating capacity was low, and the fixed expenses were not absorbed completely. It also has poor debt metrics, reflected in its debt service coverage ratio of 0.1 owing to low cash generation from the business. The working capital requirement also remains high, as debtors of Rs. 1.49 crore are due for more than six months.

Modest scale of operations - The company has a modest scale of operations with an operating income of Rs. 30-35 crore and an operating margin of 1-2%. Also, there are no further capex plans to expand its capacity.

Liquidity position: Stretched

The liquidity position of SGEL remains stretched due to low cash generation from its business. The company has repayment obligation of Rs. 0.74 crore in the next 12 months. While no major capex has been planned, repayment of the existing loans, along with the relatively higher working capital cycle, would continue to exert pressure on the company's liquidity. The promoter's contribution, in case of any cash flow mismatch, will remain crucial to support the debt repayment commitments.

Rating sensitivities

Positive factors – ICRA could upgrade SGEPL's ratings, if there is a substantial increase in revenue and earnings, leading to an improvement in the debt coverage metrics.

Negative factors – Pressure on SGEPL's ratings could arise, if there is a material decline in revenue, or profitability, adversely impacting the debt coverage metrics and the liquidity position.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Incorporated on August 20, 2009, under the Companies Act of 1956, Star Global Endura Private Limited manufactured multifilament yarns for woven sack, fertiliser, food grain and cement industries, and also for bag stitching requirements in geotextiles. On September 7, 2010, the company was converted into a public limited company and the name was changed to Star Global Endura Limited (SGEL).

SGEL was jointly floated by Mr. Sanjay Jain (head of the Supreme Group) and Mr. Ranjan Sharma (head of the Star Global Group). The Supreme Group is running four companies, namely, Supreme Polymers Private Limited, Sidharth Polysacks Private Limited, Alliance Polysacks Private Limited and Star Global Endura Limited in the field of HDPP/HDPE woven sacks for the last 20 years and has a good customer base in Rajasthan. The Star Global Group is running Star Global Resources Ltd. and IFFCO Kisan Sanchar Ltd.

Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income	31.3	31.5
PAT	-2.1	-1.4
OPBDIT/OI	-1.4%	0.3%
PAT/OI	-6.7%	-4.4%
Total outside liabilities/Tangible net worth (times)	4.2	7.1
Total debt/OPBDIT (times)	-29.8	222.7
Interest coverage (times)	-0.3	0.1

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)					Chronology of rating history for the past 3 years							
	Type	Amount Rated (Rs Crore)	Nov 05, 2024	Date	Rating	FY2025		FY2024		FY2023		FY2022	
Fund based-Cash Credit	Long-term	6.40	[ICRA]B+ (Stable)	21-May-24	[ICRA]B+ (Stable)	29-Sep-23	[ICRA]B+ (Stable)	-	-	-	-	-	-
Fund based – Bill discounting facility	Long-term	2.00	[ICRA]B+ (Stable)	21-May-24	[ICRA]B+ (Stable)	-	-	-	-	-	-	-	-
Fund Based-Term Loan	Long-term	1.37	[ICRA]B+ (Stable)	21-May-24	[ICRA]B+ (Stable)	29-Sep-23	[ICRA]B+ (Stable)	-	-	-	-	-	-
Non-Fund Based-Bank Guarantee	Short-term	2.00	[ICRA]A4	21-May-24	[ICRA]A4	29-Sep-23	[ICRA]A4	-	-	-	-	-	-
Non-Fund Based-Letter of Credit	Short-term	4.50	[ICRA]A4	21-May-24	[ICRA]A4	29-Sep-23	[ICRA]A4	-	-	-	-	-	-
Non-Fund Based-Forward contract	Short-term	3.00	[ICRA]A4	-	-	-	-	-	-	-	-	-	-
Unallocated-Unallocated	Long-term/ short-term	3.73	[ICRA]B+ (Stable)/ [ICRA]A4	21-May-24	[ICRA]B+ (Stable)/ [ICRA]A4	29-Sep-23	[ICRA]B+ (Stable)/ [ICRA]A4	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term- Fund based- Cash Credit	Simple
Long term Fund based – Bill discounting facility	Simple

Long Term-Fund Based-Term Loan	Simple
Short Term-Non-Fund Based-Bank Guarantee	Very Simple
Short Term-Non-Fund Based-Letter of Credit	Very Simple
Short Term-Non-Fund Based-Forward contract	Very Simple
Long Term / Short Term-Unallocated-Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	-	-	-	6.40	[ICRA]B+ (Stable)
NA	Term Loan	FY20	8.5%	FY26	2.00	[ICRA]B+ (Stable)
NA	Bill discounting	-	-	-	1.37	[ICRA]B+ (Stable)
NA	Bank Guarantee	-	-	-	2.00	[ICRA]A4
NA	Letter of Credit	-	-	-	4.50	[ICRA]A4
NA	Forward contract	-	-	-	3.00	[ICRA]A4
NA	Unallocated	-	-	-	3.73	[ICRA]B+ (Stable)/ [ICRA]A4

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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