

September 27, 2010

CARE ASSIGNS 'CARE BB+' AND 'PR 4+' RATINGS TO BANK FACILITIES OF SARVODAYA AGROTECH (INDIA) LTD.**Ratings**

Facilities	Amount (Rs. Crore)	Ratings ¹	Remarks
Long-term/Short-term Bank Facilities	15.00	'CARE BB+'/ 'PR4+' (Double B Plus)/ (PR Four Plus)	Assigned
Total Facilities	15.00		

Rating Rationale

The ratings are constrained by Sarvodaya Agrotech (India) Ltd's (Sarvodaya's) small scale of operations restricting economies of scale, deterioration in financial risk profile marked by sharp decline in sales and losses incurred during FY10, presence in the edible oil industry with its inherently low margins because of high competitive intensity and fragmented nature leading to limited pricing flexibility, vulnerability of its margins to high volatility in the prices of oils and oilseeds, linkages to international crude oil and De-oiled Cakes (DOC) prices coupled with regulatory uncertainties on import duties for edible oils, seasonality associated with availability of raw materials and working capital intensive nature of its operations. These constraints far outweigh the benefits derived from the promoters' experience, locational advantage by way of proximity to the soya/rapeseed growing regions in India and absence of any long-term debt.

Ability to manage volatility associated with commodity prices in edible oil industry and thereby improve its profitability would remain the key rating sensitivity.

Company Profile

Sarvodaya is a small-sized public limited company promoted by the Anjana family based in Udaipur. Mr. Udai Lal Anjana is the main promoter of the company. It commenced operations in October 2006 by acquiring the solvent extraction plant of M/s Madhusudan Industries Ltd situated in Nimbahera (near Udaipur, Rajasthan) having capacity of 1,80,000 MTPA. It is engaged in the crushing and processing of soyabean seed/rapeseed cake for extraction of crude edible oil and De-oiled cakes (DOC). It also undertakes trading of rapeseed. However, it does not have any presence in the value-added edible oil refining segment.

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

Total operating income of Sarvodaya declined by 49% in FY10 mainly on account of sharp fall in sales volume of both DOC and crude edible oil due to adverse industry scenario. As against a PAT of Rs.3.61 crore earned on a total income of Rs.161.44 crore during FY09 it incurred a net loss of Rs.0.25 crore on a total income of Rs.81.61 crore as per the provisional results of FY10.

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