

Press Release

10 May, 2017

Baliraja Sakhar Karkhana Limited

Rating Downgraded

Total Bank Facilities Rated *	Rs.132.64 Cr
Long Term Rating	SMERA D

Refer Annexure for details

Rating Rationale

SMERA has downgraded long-term rating of 'SMERA D' (read as SMERA D) on the Rs. 132.64 crore bank facilities of Baliraja Sakhar Karkhana Limited.

Baliraja Sakhar Karkhana Limited (BSKL), incorporated in 2001 is a wholly owned subsidiary of Shraddha Energy and Infraprojects Private Limited. The company was promoted by Mr. Shivaji Bhagwanrao Jadhav and family and is engaged in the manufacturing of sugar at Parbhani, Maharashtra with crushing capacity of 3500 TCD (Tons of cane per day). The commercial production commenced in January 2015. The company is also into power generation with capacity of 15MW.

Key Rating Drivers

Strengths

- **Experienced management**

The promoter, Mr. Shivaji B Jadhav has experience of over three decades in the sugar industry.

Weaknesses

- **Delays in debt servicing due to weak liquidity**

There have been delays of around 30 days in interest payments on term loan due to a weak liquidity. BSKL incurred operating PBT losses of Rs. 2.09 cr in FY2016 (provisional) as compared to Rs. 13.71 cr in the previous year.

- **High gearing levels and inventory holding**

BSKL has high gearing (debt to equity) of 6.59 times as on March 31, 2016 (Provisional). The total debt of Rs. 215.70 cr mainly includes term loan of Rs. 189.51 cr and working capital borrowings of Rs. 16.77 cr as on March 31, 2016 (P). As on March 31, 2016 (P), the company has high inventory holding days of 1339.

- **Fragmented and competitive sugar industry**

BSKL operates in a highly fragmented and competitive sugar industry with large number of private sugar manufacturing companies and co-operatives. Besides, sugar prices are dependent on the demand-supply gap thereby restricting the bargaining power with customers.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of BSKL.

About the Rated Entity - Key Financials

For FY2015-16 (Provisional), BSKL reported PAT losses of Rs. (1.95) cr. on operating income of Rs.38.96 cr., as compared to PAT losses of Rs. (13.56) cr. on operating income of Rs.1.58 cr. in FY2014-15.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Name of Instrument /Facilities	FY2017			FY2016		FY2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating
Term Loan I	LT	67.97	SMERA D (Downgraded from B-/Stable)	Dec 22	SMERA B-/Stable (Assigned)	-	-
Term Loan II	LT	17.17	SMERA D (Downgraded from B-/Stable)	Dec 22	SMERA B-/Stable (Assigned)	-	-
Term Loan III	LT	47.50	SMERA D (Downgraded from B-/Stable)	Dec 22	SMERA B-/Stable (Assigned)	-	-

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	September 30, 2022	67.97	SMERA D
Term loans	Not Applicable	Not Applicable	September 30, 2022	17.17	SMERA D
Term loans	Not Applicable	Not Applicable	September 30, 2022	47.50	SMERA D

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ABOUT SMERA

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