

Dnyanyogi Shri Shivakumar Swamiji Sugars Limited (Dnyanyogi Shri Shivakumar): Assigned

| Name of the Instruments | Amount (Rs Crore) | Ratings/Outlook |
|--------------------------------------|-------------------|-------------------------------|
| Cash Credit | 30.00 | SMERA B-/Stable (Assigned) |
| Harvesting and Transportation Loan | 25.00 | SMERA A4 (Assigned) |
| Soft Loan | 9.00 | SMERA B-/Stable (Assigned) |
| MTNL | 9.60 | SMERA B-/Stable (Assigned) |
| Cash Credit | 30.00 | SMERA B-/Stable (Assigned) |
| Consortium Loan | 6.00 | SMERA B-/Stable (Assigned) |
| Fund Based/Non Fund Based (Proposed) | 6.40 | SMERA B-/Stable/A4 (Assigned) |

SMERA has assigned rating of '**SMERA B-**' (read as SMERA B minus) and '**SMERA A4**' (read as SMERA A four) to the above mentioned bank facilities of Dnyanyogi Shri Shivakumar Swamiji Sugars Limited (Dnyanyogi Shri Shivakumar). The outlook is '**Stable**'.

The ratings are constrained by the weak financial risk profile and net losses incurred. However, the ratings derive comfort from the experienced management.

Dnyanyogi Shri Shivakumar is engaged in the manufacture of sugar. The revenue of the company registered a significant decline to ~Rs.50 crore in FY2015-16 from Rs.100.26 crore in FY2014-15 on account of fall in sugar sales realisations. The company incurred cash losses since FY2013-14 and EBITDA loss in FY2014-15. However, due to the uptake of sugar sales realisations in Q4 2016, the company was able to register EBITDA profit to the tune of Rs.9.60 crores for FY2015-16 (provisional).

The financial risk profile is weak reflected by the low net worth base and high debt of Rs.82.60 crore as on March 31, 2015 that includes interest bearing unsecured loans to the tune of Rs.9.52 crore. However, the company receives interest subvention (quarterly) to the extent of 10 – 12 per cent on some of the loans thereby marginally reducing its interest burden.

Rating Sensitivity Factors

- Increasing scale of operations while operating profitably
- Timely servicing of debt obligations
- Efficient working capital management

Outlook-Stable

SMERA believes that Dnyanyogi Shri Shivakumar will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially supported by improvement in sugar realisation, operating profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the scalability amidst subdued industry sentiments or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

Dnyanyogi Shri Shivakumar Swamiji Sugars Limited (Dnyanyogi Shri Shivakumar)

Criteria applied to arrive at the ratings:

- Trading Entity

About the Company

The Karnataka-based Dnyanyogi Shri Shivakumar, incorporated in 2002, is engaged in the manufacturing and selling of sugar and its by-products. Promoted by Mr. Sudhir Gurugouda Biradar, the company is also engaged in power co-generation.

For FY2014-15, the company registered net loss of Rs.18.22 crore on operating income of Rs.100.26 crore, as compared with net loss of Rs.5.92 crore on operating income of Rs.89.71 crore for FY2013-14.

Contacts:

| Analytical | Media |
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| Mr. Mohit Jain Vice President – Ratings Operation, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in | Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in |

ABOUT SMERA

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