

## Press Release

### RAJGAD SAHAKARI SAKHAR KHARKHANA LIMITED

16 January 2018



#### Rating Reaffirmed and Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 70.55 Cr.
<b>Long Term Rating</b>	SMERA C
<b>Short Term Rating</b>	SMERA A4

\* Refer Annexure for details

#### Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA C** (read as SMERA C ) and short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs. 62.55 crore bank facilities of RAJGAD SAHAKARI SAKHAR KHARKHANA LIMITED (RSSKL). Further SMERA has assigned short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs. 8.00 crore bank facility of RSSKL.

RSSKL, incorporated in 1989 by Mr Anantrao Thopate is engaged in the manufacturing of sugar at Pune, Maharashtra. The company has an installed capacity of 1,250 Tonnes Crushed per Day (TCD).

#### Key Rating Drivers

##### Strengths

- **Experience management**

The company is led by Mr. Anantarao Thopate, a former cabinet minister (Maharashtra) who has experience of over three decades in the sugar industry. He is joined by Mr Sangram Thopate (Chairman and son of Mr Anantarao Thopate), who has experience of over a decade in the industry. An MLA from Bhor Velha Mulshi constituency, he is also on the board of Pune District Central Co-operative Bank Limited (PDCC). The long track record of operations and the popularity of the management among the farmers have helped the company maintain long term relations with local farmers.

- **Proximity to sugarcane cultivation areas**

The manufacturing facility is located at Bhor, Pune which has adequate availability of sugarcane.

##### Weaknesses

- **Working capital intensive operations**

Sugarcane being an agro-commodity, its availability is seasonal. The sugar crushing season is usually from October to April. As a result, the company needs to stack the finished products during the season and sell it throughout the year as per demand thus, leading to high inventory levels. The company has working capital intensive operations marked by GCA of 194 days in FY2017 as against 519 days in FY2016. The inventory days stood at 86 in FY2017 as against 408 in FY2016. The creditor days stood at 40 in FY2017 as against 238 in FY2016. The average bank limit utilisation stood at around 90 percent for the last six months ended November 2017.

- **Weak financial risk profile**

The financial risk profile of the company is below average marked by net worth of Rs.11.23 crore as on 31 March, 2017 as against negative net worth of Rs. 35.90 crore due to accumulated losses from FY2014 to FY2017. The gearing stood at 3.34 times as on 31 March 2017. The total debt of Rs.37.50 crore outstanding as on 31 March, 2017 comprises Rs.19.00 crore of term loan, Rs.2.08 crore of unsecured loan from the government of Maharashtra and Rs. 16.42 crore of working capital borrowings from the bank.

- Dependence on government policies

The sugar industry is highly regulated. As per the benchmark price fixed by the Centre (the Fair and Remunerative Price) for the sugar season 2016-17 (Oct-Sept), the price of sugar is Rs. 230 per quintal at 10.30 per cent recovery level. This is the minimum price the factories have to pay to cane growers. The government also discourages import of sugar by imposing high import duty on white sugar. Thus, adverse changes in government policies may impact profitability margins as well as scale of operations of the company.

### Analytical Approach

SMERA has considered the standalone business and financial risk profile of RSSKL to arrive at the rating.

### Outlook:

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	64.37	48.33	73.16
EBITDA	Rs. Cr.	-2.07	2.31	-11.69
PAT	Rs. Cr.	-6.28	0.63	-14.49
EBITDA Margin	(%)	-3.21	4.78	-15.98
PAT Margin	(%)	-9.76	1.30	-19.81
ROCE	(%)	-6.04	10.38	-615.77
Total Debt/Tangible Net Worth	Times	3.34	-2.02	-1.11
PBDIT/Interest	Times	-0.50	1.59	-5.00
Total Debt/PBDIT	Times	-20.39	25.86	-3.51
Gross Current Assets (Days)	Days	194	520	208

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

### Note on complexity levels of the rated instrument

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

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
21-Oct, 2016	Cash Credit	Long Term	INR 50	SMERA C (Assigned)
	Term Loan (Excise loan)	Short Term	INR 4.86	SMERA A4 (Assigned)
	Long term loan (Soft loan and Working Capital)	Long Term	INR 7.69	SMERA C

	Term) Loan			(Assigned)
	Proposed Short Term Loan	Short Term	INR 8	SMERA A4 (Assigned)

#### \*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	SMERA C (Reaffirmed)
Term loans (Excise loan)	Not Applicable	Not Applicable	Not Applicable	4.86	SMERA A4 (Reaffirmed)
Long term loan (Soft loan and Working Capital Term) Loan	Not Applicable	Not Applicable	Not Applicable	5.69	SMERA C (Reaffirmed)
Working capital demand loan (WCDL)	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA C (Reaffirmed)
Term loans (Excise loan)	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA A4 (Assigned)

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## ABOUT SMERA

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