

Press Release

08 May, 2017

Chhatrapati Sambhaji Raje Sakhar Udyog Limited

Rating Assigned

Total Bank Facilities Rated *	Rs. 50.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 50.00 crore bank facilities of Chhatrapati Sambhaji Raje Sakhar Udyog Limited. The outlook is '**Stable**'.

CSRSUL was incorporated in 2000 by Mr. Haribhau K. Bagade. CSRSUL is engaged in manufacturing of sugar with an installed capacity of 1,250 TCD (Tons of Cane per Day) and has a recovery rate of 11 per cent. The company has more than 6,500 cane producing members. CSRSUL also operates a 6 MW cogeneration plant. The company operations are based in Aurangabad, Maharashtra.

Key Rating Drivers

Strengths

- **Experienced Management:**

CSRSUL is headed by Mr. Haribhau K. Bagade (Chairman and Managing Director) who is in the same line of business since past 17 years. His experience has enabled the company to develop healthy customer and suppliers relations.

- **Stable operating margins:**

CSRSUL's operating margins have remained stable during the period under study EBIDTA margins stood at 12.82 percent in FY2015-16 as compared to 12.44 percent in FY2014-15. PAT margins stood at 0.94 percent in FY2015-16 as compared to 0.73 percent in FY2014-15.

Weaknesses

- **Declining revenue:**

CSRSUL's revenues declined during the period under study on account of lower production of sugar due to shortage in supply of sugar cane. Sugar crushing activity has fallen from 2,71,000 MT in FY2014-15 to 1,77,000 MT in FY2015-16 and further to 71,000 MT in FY2016-17. Operating income stood at Rs.71.94 crore in FY2015-16 as compared to Rs.73.60 crore in FY2014-15. As per provisional for FY2016-17, operating income stood at ~Rs.60.00 crore.

- **Below average financial risk profile:**

CSRSUL's financial risk profile is below average marked by moderate net worth of Rs.7.50 crore as on 31 March 2016. Gearing is high and stood at 10.62 times as on 31 March 2016 as compared to 8.62 times as on 31 March 2015. Total long term debt includes unsecured loans to the tune of Rs.6.87 crore from harvesting contractors. Interest coverage ratio stood low at 1.30 times for FY2015-16 as compared to 1.51 times for FY2014-15.

- **Working capital intensive operations:**

CSRSUL's operations are working capital intensive in nature as reflected in gross current asset days of 316. . Further, the company's liquidity profile is moderately stretched as it utilises ~85 percent of its working capital limits.

- **Profitability susceptible to volatility in raw material prices:**

CSRSUL's operating profitability is susceptible to volatility in raw material prices i.e. sugar cane which is seasonal and prices depend upon the climatic condition.

- **Competitive and fragmented industry:**

The Company is engaged sugar industry. The particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors.

Analytical Approach

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

Outlook: Stable

SMERA believes CSRSUL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while maintaining operating margins and improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline further decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile due to higher than expected debt funded working capital

About the Rated Entity - Key Financials

For FY2015-16, CSRSUL registered profit after tax (PAT) of Rs.0.67 crore on operating income of Rs.71.94 crore as against net profit after tax of Rs.0.54 crore on operating income of Rs.73.60 crore in the previous year. The net worth stood at Rs.7.50 crore as on 31 March 2016 as compared to Rs.6.83 crore as on 31 March 2015

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

Not Applicable

Any other information

Not Available

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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	23.30	SMERA B/Stable
Term loans	Not Applicable	Not Applicable	30-Dec-2020	6.63	SMERA B/Stable
Term loans	Not Applicable	Not Applicable	30-Sep-2020	4.40	SMERA B/Stable
Term loans	Not Applicable	Not Applicable	30-Mar-2019	3.64	SMERA B/Stable
Working Capital Term Loan	Not Applicable	Not Applicable	30-Oct-2022	11.36	SMERA B/Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.67	SMERA B/Stable

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ABOUT SMERA

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