

Press Release

K M Sugar Mills Limited

February 12, 2019



Rating Update

Total Bank Facilities Rated*	Rs. 129.50 Cr.
Long Term Rating	ACUITE BBB- (Under rating watch with developing implications)
Short Term Rating	ACUITE A3 (Under rating watch with developing implications)

* Refer Annexure for details

Rating Rationale

Acuité has placed the long rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 129.50 crore bank facilities of K M Sugar Mills Ltd. (KMSML) on '**Rating watch with developing implications**'.

Acuité has placed the ratings on the bank facilities of K M Sugar Mills Ltd. (KMSML) on "Watch with developing implications" following the company's intimation to the BSE exchange vide its press release dated 04th February, 2019 that the operation in the distillery unit located at Moti Nagar, Faizabad (Uttar Pradesh) of the company has been closed. The distillery unit of the company has been closed pursuant to directive of the UP Pollution Control Board, Lucknow due to technical reasons. Acuité currently is in discussion with the management to understand the impact of the closure on KMSML business and financial risk profile and consequent changes expected in the business.

K M Sugar Mills Ltd (KMSML) was established in the year 1971 and in 1974 the company became a public limited company under the management of Jhunjhunwala family. The company's top management includes Mr. L.K. Jhunjhunwala (Chairman), Mr. Aditya Jhunjhunwala (Managing Director), and Mr. Sanjay Jhunjhunwala (Joint Managing Director). The company is into the business of manufacturing of sugar with installed capacity of 9000 TCD. It also has distillery, ethanol and cogeneration plant located at Faizabad (Uttar Pradesh). The company has received the ISO 9001:2000 certification for manufacture of white sugar.

Analytical Approach

Acuité has considered the consolidation business and financial risk profiles of KMML and its subsidiaries viz. M/s K.M. Energy Private Limited to arrive at the rating. The consolidation is due to common management and financial synergies within the group. Extent of consolidation: Full.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	511.36	341.61	358.19
EBITDA	Rs. Cr.	51.94	55.26	35.32
PAT	Rs. Cr.	18.87	37.12	11.70
EBITDA Margin	(%)	10.16	16.18	9.86
PAT Margin	(%)	3.69	10.87	3.27
ROCE	(%)	21.10	29.05	44.20
Total Debt/Tangible Net Worth	Times	1.17	2.16	3.20
PBDIT/Interest	Times	4.76	5.76	2.14
Total Debt/PBDIT	Times	1.85	2.53	2.53
Gross Current Assets (Days)	Days	143	277	202

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
19-June-2018	Cash credit	Long Term	100.51	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	17.88	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Assigned)
	Proposed Facility	Long Term	9.11	ACUITE BBB- / Stable (Assigned)
15-Feb-2018	Cash credit	Long Term	100.51	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	17.88	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Assigned)
	Proposed Facility	Long Term	9.11	ACUITE BBB- / Stable (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	100.51	ACUITE BBB- (Under rating watch with developing implications)
Term Loan	Not Applicable	Not Applicable	Not Applicable	17.88	ACUITE BBB- (Under rating watch with developing implications)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Under rating watch with developing implications)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	9.11	ACUITE BBB- (Under rating watch with developing implications)

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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