

## Press Release

### Mahakaushal Sugar & Power Industries Limited (MSPIL)

06 March, 2018



#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.10.00 Cr
<b>Long Term Rating</b>	SMERA BBB-/Stable (Assigned)

*\*Refer Annexure for details*

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the Rs 10.00 crore bank facilities of Mahakaushal Sugar & Power Industries Limited (MSPIL). The outlook is '**Stable**'.

MSPIL was incorporated as a private limited company in 2005 and converted to public limited (unlisted) subsequently. The company, promoted and managed by Mr. Nawab Raza and Mrs. Asmat Raza, is engaged in the manufacture of sugar. Currently, MSPIL has sugar manufacturing facilities at Narsinghpur district, Madhya Pradesh with installed capacity of 4500TCD.

#### Strengths:

##### Experienced Promoters

MSIPL was established in 2005. The company is promoted and led by Mr. Nawab Raza and Mrs. Asmat Raza who possess experience of more than a decade in the sugar industry. The promoters have been able to establish long term relations with customers and suppliers.

##### Favourable location:

The manufacturing plant is located at Bachai, district Narsinghpur of Madhya Pradesh in close proximity to regions that cultivate sugarcane. The company has total installed capacity of 4500 TCD and further plans to increase capacity to 6000 TCD. The company also has a bagasse based captive power plant of 24.8MW.

##### Healthy revenue growth

The revenues have grown at a CAGR of 18 percent from FY2014 to FY2017. The installed capacity increased to 4500 TCD in FY2017. The company registered revenue of Rs. 132.23 crore in FY2017, Rs. 116.30 crore in FY2016 and Rs. 107.63 crore in FY2015. Further, in FY2018 (Provisional) the company booked revenue of Rs. 75.81 crore from April to December, 2017. MSPIL expects to register revenue of ~Rs.150 crore in FY2018.

##### Healthy financial risk profile

The financial risk profile of the company is healthy marked by gearing of 0.86 times as on 31 March, 2017 as against 1.17 times in the previous year. The Interest Coverage Ratio stood at 4.39 times for FY2017 as against 3.49 times in FY2016. The DSCR stood at 1.62 times for FY2017 as against 2.56 times in the previous year. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.31 times in FY2017 as against 0.19 times in FY2016. The tangible net worth is healthy at Rs.50.70 crore as on 31 March, 2017 (treating unsecured loans of Rs.15.16 crore as equity).

SMERA Ratings Limited

## **Forward integration of by-products**

The optimal utilisation of by-products like molasses and bagasse are the key differentiating factors and are expected to give an added advantage to the company. The installed capacity stands at 24.80 MW per annum capacity for generation of power through bagasse. Initially power generated from bagasse was for captive use. However, with necessary approvals in place the company has executed exclusive power selling agreement with Madhya Pradesh power generating company.

## **Weaknesses**

### **Working capital intensive operations, cyclical in the sugar business**

Sugarcane is an agro-commodity. Its availability is seasonal with October to April being the sugar crushing season. The company needs to stock its finished products during the season and sell the same throughout the year as per market demand leading to high inventory levels.

The company has working capital intensive operations marked by GCA days of 153 days in FY2017 as against 209 days in FY2016. The inventory days stood at 142 days in FY2017 as against 177 days in FY2016. The creditor days stood at 61 days in FY2017 as against 116 days in FY2016. The average bank limit utilisation stood at ~83 percent for the last six months ended January 2018.

### **Dependence on government policies**

The sugar industry is highly regulated by the government. Any unfavourable changes in government policies may have a bearing on the company.

### **Competitive and fragmented industry**

The company is exposed to intense competition in the industry from other players. Besides, sugar prices are dependent on demand-supply gap thereby restricting the bargaining power with customers.

### **Analytical approach:**

SMERA has considered the standalone business and financial risk profiles of Mahakaushal Sugar & Power Industries Limited to arrive at the rating.

### **Outlook – Stable**

SMERA believes that MSPIL will maintain a stable outlook over the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' if the company significantly scales up its operations while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company undertakes higher than expected debt-funded capital expenditure or stretch in working capital requirements, leading to deterioration in its financial risk profile.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	132.23	116.30	107.63
EBITDA	Rs. Cr.	20.24	14.44	13.67
PAT	Rs. Cr.	7.08	2.96	3.42
EBITDA Margin	(%)	15.30	12.42	12.70
PAT Margin	(%)	5.35	2.55	3.18
ROCE	(%)	15.14	10.06	25.86
Total Debt/Tangible Net Worth	Times	0.86	1.17	0.88
PBDIT/Interest	Times	4.39	3.49	3.64
Total Debt/PBDIT	Times	2.14	3.39	2.29
Gross Current Assets (Days)	Days	153	209	201

### Any other information:

Not Applicable

### 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>

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

None

### 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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BBB-/ Stable (Assigned)

## Contacts:

Analytical	Rating Desk
<p>Suman Chowdhury, President- SMERA Bond Ratings Tel: 022-67141107 Email: <a href="mailto:suman.chowdhury@smera.in">suman.chowdhury@smera.in</a></p> <p>Disha N. Parmar, Rating Analyst Tel: 022-67141120 Email: <a href="mailto:disha.parmar@smera.in">disha.parmar@smera.in</a></p>	<p>Varsha Bist, Sr. Executive Tel: 022-67141160 Email: <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a></p>

## ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.