

Press Release

Mukteshwar Sugar Mills Limited

May 10, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 25.00 Cr.
Short Term Rating	SMERA A4

** Refer Annexure for details*

Rating Rationale

SMERA has assigned short term rating of '**SMERA A4' (read as SMERA A four)** on the Rs.25.00 crore bank facilities of Mukteshwar Sugar Mills Limited (MSML).

The Aurangabad-based Mukteshwar Sugar Mills Limited was incorporated in 2007 as Public Limited (Unlisted) company. The company is promoted by Mr. Sachin Bhausaheb Nikam (Chairman) and Mr. Prashant Motilal Sharma (Director). MSML is engaged in manufacturing of Sugar with a licensed capacity of 2500 tons of cane per day.

Key rating drivers

Strengths:

Experienced promoters

MSML was incorporated in 2007 is promoted by Mr. Sachin Bhausaheb Nikam and Mr. Prashant Motilal Sharma who are in the same line of business since past one decade. The promoters have gained good insight about the industry and have developed healthy relations with customers and suppliers.

Weaknesses:

Weak financial risk profile

The financial risk profile of MSML is weak marked by negative net worth of Rs.10.81 crore as on 31 March, 2017 compared to Rs.10.24 crore as on 31 March, 2016. The negative net worth was mainly on account of continuous losses over the period. The Interest Coverage Ratio (ICR) has declined marginally 1.86 times in FY2017 compared to 2.25 times in FY2016.

Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Assets (GCA) of 149 days in FY2017 compared to 203 days in FY2016. The GCA days are mainly dominated by high inventory days of 132 in FY2017 compared to 218 in FY2016. SMERA believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Cyclicality associated with sugar industry

The operation of the company is dependent on sugarcane production, which is highly dependent on monsoon and prices prevailing in the alternative crops such as rice and wheat. The sector is also marked by the presence of several other players which lead to intense competition from the other players.

Susceptibility of profitability to volatility in material prices

Sugarcane and the other by-products manufactured by the company remain extremely sensitive to fluctuations in commodity prices thereby impacting the overall revenue and profitability profile of the company. Sugarcane production is highly dependent on monsoon and fluctuation in FRP (Fair Remunerative Price) will have a bearing on the overall revenue and profitability.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of MSML to arrive at the rating.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	59.53	75.88	46.23
EBITDA	Rs. Cr.	8.29	10.94	1.91
PAT	Rs. Cr.	(0.60)	(2.24)	(7.28)
EBITDA Margin	(%)	13.93	14.42	4.13
PAT Margin	(%)	(1.00)	(2.95)	(15.75)
ROCE	(%)	7.49	1.29	(4.67)
Total Debt/Tangible Net Worth	Times	(5.00)	(6.22)	(9.77)
PBDIT/Interest	Times	1.86	2.25	0.44
Total Debt/PBDIT	Times	6.52	5.83	38.15
Gross Current Assets (Days)	Days	149	203	392

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

None

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>

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
Warehouse Demand Loan	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA A4

Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: +91-22-6714 1107 suman.chowdhury@smera.in Avadhoot Mane, Analyst - Rating Operations Tel: +91-22-6714 1138 avadhoot.mane@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

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.

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) for the latest information on any instrument rated by SMERA.