

Press Release

Sant Muktai Sugar And Energy Limited

January 11, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs. 30.00 crore bank facilities of Sant Muktai Sugar And Energy Limited (SMSEL). The outlook is '**Stable**'.

SMSEL was incorporated in 2013. The commercial operations of the company commenced in December, 2014. The company is engaged in manufacturing of sugar and power co-generation. The unit is located in Jalgaon (Maharashtra) and has crushing capacity of 2500 tonnes crushed per day (TCD). SMSEL also has a co-generation plant of 12 mega-watts (MW). SMSEL is a part of the Shraddha Group (SG), promoted by Jadhav family.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SMSEL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The company was incorporated in 2013. Further, the promoter Mr. Shivaji Jadhav have gained good insight about the industry over the years and have developed healthy customer and suppliers relations.

Weaknesses

- **Working capital intensive nature of operations**

The operations are working capital intensive marked by high Gross Current Assets (GCA) of 764 days in FY2018, which has increased from 166 days in FY2017. The high GCA days are on account of high inventory holding period of 581 days in FY2018 as against 138 days in FY2017. The company was not able sell the product and hence high amount of inventory.

- **Cyclicality associated with sugar industry**

The operations of the group are dependent on sugarcane production which is highly dependent on the 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 raw material prices**

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

Outlook: Stable

Acuité believes SMSEL will maintain 'Stable' business risk profile in the medium term on the back of established operations and long standing experience of the promoters in the business. The outlook may be revised to 'Positive' in case of improvement in working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of stretched working capital cycle or deterioration in its financial risk profile due to higher than expected debt funded capex plan.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	26.71	73.83	17.53
EBITDA	Rs. Cr.	-2.21	4.20	14.36
PAT	Rs. Cr.	-24.42	-13.01	0.28
EBITDA Margin	(%)	-8.28	5.68	81.89
PAT Margin	(%)	-91.45	-17.62	1.59
ROCE	(%)	-12.93	-1.76	15.10
Total Debt/Tangible Net Worth	Times	1.91	0.42	0.47
PBDIT/Interest	Times	-0.17	0.44	1.91
Total Debt/PBDIT	Times	-29.37	4.99	2.31
Gross Current Assets (Days)	Days	764	166	1615

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

India Ratings, vide its press release dated July 16, 2018 had denoted the rating of SMSEL as 'IND D; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at 'IND B/Stable/IND A4' vide its press release dated June 01, 2017.

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.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	30.00	ACUITE B / Stable

Contacts

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About Acuité Ratings & Research:

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