

Press Release

Sant Muktai Sugar and Energy Limited

October 07, 2020

Rating Upgraded



Total Bank Facilities Rated*	Rs. 60.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Upgraded from ACUITE B/Stable)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE B**' (read as **ACUITE B**) on the Rs.60.00 crore bank facilities of Sant Muktai Sugar and Energy Limited (SMSEL). The outlook is '**Stable**'.

The rating revision is in view of an improvement in business and financial risk profile of the company. The company booked revenue of Rs.96.46 crore Prov for FY2020 as against 53.88 crore in FY2019 and 26.71 crore in FY2018. Also, the working capital cycle improved to 318 days in Prov in FY2020 as against 555 days in FY2019. Financial risk profile has improved as reflected by Debt/EBITDA of 4.54 times Prov in FY2020 as against 14.16 times in FY2019 and TOL/TNW of 3.71 times Prov in FY2020 as against 5.56 times in FY2019.

SMSEL was incorporated in 2013. The commercial operations of the company commenced in December, 2014. The company is engaged in the manufacturing of sugar and power cogeneration. The unit is located in Jalgaon (Maharashtra) and has a 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

Acuite has considered the standalone business and financial risk profiles of SMSEL to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

SMSEL is a part of Shraddha Energy and Infraprojects Private Limited that was incorporated in 2003. Promoted by Mr. Shivaji Jadhav, the promoter has experience in the sugar industry for nearly a decade and power and civil construction industry for nearly three decades. The promoter's good industry insights have helped the company to develop long-standing relations with its customer and suppliers.

• Improving scale of operations

SMSEL's revenue grew at a CAGR of ~9.3 percent over the last three years through FY2017-FY2020 Prov. The company booked revenue of Rs.96.46 crore Prov in FY2020 as against Rs.53.88 crore in FY2019 and Rs.26.71 crore in FY2018. Further, the operating margins of the company stood at 21.55 percent Prov in FY2020 as against 14.78 percent in FY2019 and negative 8.28 percent in FY2018. Further, improvement in operating margins could be seen due to improvement in sugar prices.

Acuite believes that company's ability to sustain improvement in revenue will remain key credit sensitivity.

Weaknesses

• Cyclicity 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 fluctuation in FRP (Fair Remunerative Price) will have a bearing on the overall revenue and profitability.

Rating Sensitivities

- Continuous improvement in the scale of operations while maintaining profitability leading to improvement in overall financial risk profile.
- Further deterioration in GCA days

Material Covenants

None

Liquidity position: Stretched

SMSEL has stretched liquidity, marked by negative net cash accruals. The company generated net cash accruals of negative Rs.0.4 crore as against the repayment obligation of Rs. 5.58 crore over the period of FY2019-FY2020 Provisional. SMSEL is supported by the promoter's ability for repayment of the debt by way of unsecured loans infused in the company through promoter and promoter group companies. Also, the working capital borrowings are high with nearly full utilisation for the last six months ended in August, 2020. The company maintains unencumbered cash and bank balances of Rs.1.16 crore Provisional as on March 31, 2020. The current ratio of the company stood low at 1.02 times Provisional as on March 31, 2020. Acuite believes that the liquidity profile will be a key factor to maintain a stable credit profile.

Outlook: Stable

Acuite 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 the 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	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	96.46	53.88
PAT	Rs. Cr.	(7.79)	(17.37)
PAT Margin	(%)	(8.07)	(32.23)
Total Debt/Tangible Net Worth	Times	3.44	4.65
PBDIT/Interest	Times	0.98	0.47

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-Jan-2019	Cash Credit	Long Term	30.00	ACUITE B /Stable (Reaffirmed)

	Term Loan	Long Term	1.42	ACUITE B/Stable (Assigned)
	Term Loan	Long Term	28.58	ACUITE B/Stable (Assigned)
11-Jan-2019	Cash Credit	Long Term	30.00	ACUITE B/Stable (Assigned)

***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 (Upgraded from ACUITE B/Stable)
Term Loan	May, 2016	Not Applicable	May, 2021	0.76	ACUITE B+ /Stable (Upgraded from ACUITE B/Stable)
Term Loan	May, 2017	Not Applicable	Apr, 2023	25.75	ACUITE B+ /Stable (Upgraded from ACUITE B/Stable)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.49	ACUITE B+ /Stable (Upgraded from ACUITE B/Stable)

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About Acuité Ratings & Research:

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