

Press Release

Belgaum Sugars Private Limited

January 30, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 246.37 Cr. (Enhanced from Rs. 200.89 crores)
Long Term Rating	ACUITE BB/Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 246.37 crore bank facilities of BELGAUM SUGARS PRIVATE LIMITED (BSPL). The outlook is '**Stable**'.

BSPL is a part of the Satish Sugar Limited Group (SSLG) based at Karnataka, and was incorporated in 2007 by Mr. Vithal Rudrappa Parasannavar and Mr. Satish Laxmanrao Jarkiholi. The commercial operations of the company commenced in November, 2016. BSPL is engaged in the production of sugar with the installed capacity of 3500 tonnes crushed per day (TCD) and power cogeneration with capacity of 14 MW.

BSPL is a wholly owned subsidiary of Satish Sugars Limited (SSL). SSL was incorporated in 2000 and has crushing capacity of 10000 TCD, distillery of 60 kilo liters per day (KLPD) and a co-generation plant of 31 MW.

Analytical Approach

Acuite has consolidated the business and financial risk profiles of Belgaum Sugars Private Limited (BSPL) and Satish Sugars Limited (SSL) together referred to as the 'SSL Group' (SSLG) to arrive at the rating. The consolidation is in view of the similarities in the lines of business, operational and financial synergies and common management. Further, BSPL is a wholly owned subsidiary of SSL. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

• Experienced management and long track record of operations

The parent company was incorporated in 2000 and hence, has a long track record of two decades. Further, the promoters have gained good insight about the industry over the years and have developed healthy customer and suppliers relations. Mr. Pradeepkumar, the CEO and Mr. Siddharth who is the managing director of the group have amassed over a decade in the Sugar production industry.

• Above average financial risk profile

The financial risk profile of the group is above average marked by moderate capitalization levels and moderate debt protection metrics. The net worth of the group increased to Rs.229.84 crore as on 31 March 2019 as against Rs.207.46 crore as on 31 March 2018, supported by healthy accretion in profits. The gearing of the group stood low at 2.06 times as on 31 March 2019 as against 1.71 times as on 31 March 2018. Total outside liabilities to total net worth stood low at 3.47 times as on 31 March 2019 as compared to 3.44 times in as on 31 March 2018.

The total debt of Rs.472.86 crore consist term loans of Rs.215.77 crore and working capital borrowings of Rs.255.62 crore as on 31 March 2019. The interest coverage ratio (ICR) of the group stood at 1.92 times in FY2019 as compared to 1.86 times in FY2018. The debt service coverage ratio (DSCR) of the group stood low at 0.88 times in FY2019 as compared to 0.85 times in FY2018.

Acuite believes that the financial risk profile of BSG will continue to remain above average over the medium term due to large scale of operations and healthy debt protection measures.

Weaknesses

• Intensive working capital management

SSLG's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of around 310 days as on March 31, 2019 as compared to 381 days in the previous year. The inventory holding period of the group stood at 310 days in FY2019 as against 388 days in FY2018. However the inventory levels of the group are dependent on release quota decided by the government. The debtor collection period of the group improved to 29 days in FY2019 as compared to 52 days in FY2018. Further the creditor payback period stood around 110 days as on 31st march 2019 as against 255 days in the previous year.

• Cyclicity associated with sugar industry

The group is engaged in sugar industry which is dependent on sugarcane production which is highly dependent on monsoon and realizations in alternative crops such as rice and wheat, which may prompt farmers to switch to sowing other crops. The particular sector is also marked by the presence of several mid to big size players which led to intense competition from the other players in the sectors.

Key Rating Sensitivity Factors

- Significant improvement in revenues while improvement in working capital.
- Significant elongation in working capital.

Liquidity Position: Adequate

SSLG has stretched liquidity marked by net cash accruals to its maturing debt obligations. The group generated cash accruals of around Rs.41.44 crore in FY2019, while its maturing debt obligations were Rs.52.79 crore over the same period. The group's working capital operations are intensive in nature marked by high gross current asset (GCA) days of 310 in FY 2019 as against 381 days in the previous year. The group maintains unencumbered cash and bank balances of Rs.29.32 crore as on March 31, 2019. The current ratio of the group stood at 1.03 times as on March 31, 2019. Acuite believes that the liquidity of the group is likely to remain stretched over the medium term on account of average cash accruals against maturing debt obligations.

Outlook: Stable

Acuite believes that the Satish Sugar Limited group will maintain a 'Stable' outlook on account of extensive experience of promoter group and moderate financial risk profile. The outlook may be revised to 'Positive' in case of significant increase in the scale of operations while maintaining adequate asset quality and profitability metrics. The outlook may be revised to 'Negative' in case of pressure on capitalization or deterioration in profitability and asset quality metrics.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	613.62	392.82
Profit After Tax (P.A.T.)	Rs. Cr.	22.39	13.43
PAT Margin	(%)	3.65	3.42
Total Debt/Tangible Net Worth	Times	2.06	1.71
PBDIT/Interest	Times	1.92	1.86

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Manufacturing Sector - <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 (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
Jan 20, 2020	Term Loan	Long Term	35.17	ACUITE BB/Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	14.37	ACUITE BB/Stable (Reaffirmed)
	Term Loans	Long Term	45.35	ACUITE BB/Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BB/Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BB/Stable (Reaffirmed)
	Mortgage loan	Long Term	3.00	ACUITE BB/Stable (Reaffirmed)
	Term Loans	Long Term	28.00	ACUITE BB/Stable (Assigned)
	Cash Credit Pledge	Long Term	22.00	ACUITE BB/Stable (Assigned)
Feb 01, 2019	Cash Credit	Long Term	8.00	ACUITE BB /Stable (Assigned)
	Term Loans	Long Term	39.31	ACUITE BB /Stable (Assigned)
	Term Loans	Long Term	19.86	ACUITE BB /Stable (Assigned)
	Term Loans	Long Term	34.92	ACUITE BB /Stable (Assigned)
	Cash Credit	Long Term	30.00	ACUITE BB /Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BB /Stable (Assigned)
	Mortgage Loan Facility	Long Term	3.80	ACUITE BB /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
Term Loan	Not Applicable	Not Applicable	Not Applicable	35.17	ACUITE BB/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	14.37	ACUITE BB/Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	45.35	ACUITE BB/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BB/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB/Stable (Reaffirmed)
Mortgage Loan	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB/Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE BB/Stable (Reaffirmed)
Cash credit Pledge	Not Applicable	Not Applicable	Not Applicable	67.48 (Revised from Rs. 22.00 crores)	ACUITE BB/Stable (Reaffirmed)

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About Acuite Ratings & Research:

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