

Press Release

Shree Pandurang Sahakari Sakhar Karkhana Limited

April 16, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 281.26 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 281.26 crore bank facilities of Shree Pandurang Sahakari Sakhar Karkhana Limited (SPKL). The outlook is '**Stable**'.

SPKL, based out at Solapur, Maharashtra was incorporated in 1988 under Maharashtra Co-operative Societies Act 1960. It is promoted by Shri. Sudhakar Rao Paricharak (chairman), Shri. Vasantrao Deshmukh and Shri. Prashant Paricharak. It has 4500 TCD of cane crushing capacity, 19MW co-generation unit and 45 KLPD (kilo liters per day) distillery as on March 31, 2018. The fully integrated sugar plant is located in village Shreepur, Taluka Malshiras, Dist. Solapur, Maharashtra.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Shree Pandurang Sahakari Sakhar Karkhana Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The society has established presence since 1988 in sugar industry and thus enjoy dominant position in its command area. Further, the promoter Shri. Sudhakar Rao Paricharak (chairman), Shri. Vasantrao Deshmukh and Shri. Prashant Paricharak have gained good insight about the industry over the years and have developed healthy customer and suppliers relations. Furthermore, the presence of around 17432 farmers as members ensures about 46.5 lakh quintal of sugar cane availability every season.

- **Integrated operations**

The society has total installed crushing capacity of 4500 TCD, distillery of 45 kilo liters per day (KLPD) and a co-generation plant of 19 mega-watts (MT). The cogeneration and distillery units provides alternate revenue streams and some cushion against cyclicity in sugar business. Thus, integrated nature of operations supports revenue and profitability. As a result of the integrated nature of operations the operating margins of the society have ranged between 7%-12% over the last three years.

Weaknesses

- **Working capital intensive operations, cyclicity 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 303 days in FY2018 as against 269 days in FY2017. The inventory days stood at 248 days in FY2018 as against 236 days in FY2017. The average bank limit utilisation stood at ~80 percent for the last seven months ended February, 2019.

• Susceptibility of profitability to volatility in material prices

The prices of sugar and the other byproducts manufactured by the society remain extremely sensitive to fluctuations of commodity prices, thereby impacting the overall revenue and profitability profile of the company. Cane production is highly dependent on the monsoon and a fluctuation in FRP (Fair Remunerative Price) impacts the overall revenue and profitability. Further, decline in sugar sale price due to surplus production has impacted the margins of the sugar mills. However, margins for FY2019 are likely to improve to certain extent due to increase in sugar sale price to Rs.3100 per quintal from February 2019.

Liquidity position

SPKL has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The society generated net cash accruals of Rs.13.41-14.01 crore during the last three years through FY2017-18, while its maturing debt obligations were in the range of Rs.6.56-28.08 crore over the same period. The cash accruals of the society are estimated to remain around Rs.14.87-19.82 crore during 2019-21, while its repayment obligations are estimated to be around Rs.4.54-11.55 crore. The company's operations are moderately working capital intensive as marked by gross current assets (GCA) of 303 days in FY 2018. This has led to high reliance on working capital borrowings, the cash credit limit in the company remains utilised at around 80 percent during the sugar crushing season. Acuite believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate cash accrual with moderate repayments over the medium term.

Outlook: Stable

Acuite believes SPKL will maintain its moderate 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 profitability and capital structure while increase in the scale of operations. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	396.24	304.08	508.85
EBITDA	Rs. Cr.	26.18	37.75	40.31
PAT	Rs. Cr.	1.07	0.26	0.22
EBITDA Margin	(%)	6.61	12.41	7.92
PAT Margin	(%)	0.27	0.08	0.04
ROCE	(%)	4.98	7.75	13.29
Total Debt/Tangible Net Worth	Times	4.92	4.10	6.70
PBDIT/Interest	Times	1.90	1.37	1.49
Total Debt/PBDIT	Times	10.25	6.09	8.88
Gross Current Assets (Days)	Days	303	269	296

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

CARE has been seeking information from Shree Pandurang Sahakari Sakhar Karkhana Limited (SPSSKL) to monitor the rating vide e-mail communications/ letters and numerous phone calls. However, despite the repeated requests, the company has not provided the requisite information for monitoring the ratings. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines CARE's rating on SPSSKL bank facilities will now be denoted as ISSUER NOT COOPERATING.

Any other information

Not Applicable

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	150.00	ACUITE BBB- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	75.00	ACUITE BBB- / Stable
Term loan	Not Applicable	Not Applicable	Not Applicable	6.26	ACUITE BBB- / Stable
Proposed Term loan	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE BBB- / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Disha Parmar Analyst - Rating Operations Tel: 022-49294064 disha.parmar@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.