

Press Release
Pannageshwar Sugar Mills limited

July 18, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs.75.00 Cr.
Long Term Rating	ACUITE D

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE D**' (**read as ACUITE D**) on the Rs.75.00 crore bank facilities of Pannageshwar Sugar Mills limited (PSML).

The Latur based PSML was incorporated in 1999. The company is promoted by Mrs. Pradnyatai Gopinathrao Munde - Chairman & MD. PSML is engaged in the manufacturing of sugar and other by-products of sugar cane with a capacity of 2000 tonnes crushed per day (TCD).

Analytical Approach

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

Key Rating Drivers

Strengths

• Established presence in the sugar industry

PSML is promoted by the Munde family who have developed healthy relations with farmers in the area which ensures an uninterrupted supply of sugar cane.

Weaknesses

• Delays in debt servicing obligations

PSPL has been facing significant liquidity pressure which has impeded its ability to meet its debt obligation in a timely manner. The account has been persistently irregular on account of continuous delays in servicing its term loan obligations.

• Working capital intensive nature of operation

PSPL has working capital intensive nature of operations mainly on account of high inventory holding. The company has high unsold sugar inventory of Rs.61.30 crore as on 31 March 2018 as against Rs.3.67 crore as on 31 March 2017. This has led to decrease in the revenues of the company which stood at Rs.31.49 crore for FY2018 as against Rs.71.99 crore for FY2017.

• Susceptibility of profitability to volatility in material prices

The prices of sugar and the other byproducts manufactured by the company 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 fluctuations in FRP (Fair Remunerative Price) impacts the overall revenue and profitability.

Liquidity position

PSML has weak liquidity position marked by low cash accruals as against its repayment obligations. The company generated cash accruals in the range of Rs.0.69 crore to Rs.1.40 crore against its debt obligations of Rs.5.53 crore to Rs.8.11 crore through FY2016-18. The current ratio stood moderate at 1.03 times as on 31 march 2018.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	31.49	71.99	49.92
EBITDA	Rs. Cr.	5.91	(4.49)	7.88
PAT	Rs. Cr.	0.40	(6.40)	(0.38)
EBITDA Margin	(%)	18.77	(6.24)	15.79
PAT Margin	(%)	1.27	(8.89)	(0.77)
ROCE	(%)	12.81	(3.04)	9.87
Total Debt/Tangible Net Worth	Times	(17.71)	(8.86)	128.45
PBDIT/Interest	Times	1.39	(0.17)	1.08
Total Debt/PBDIT	Times	10.13	(40.22)	9.53
Gross Current Assets (Days)	Days	1,072	167	772

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

ICRA, vide its press release dated April 29, 2019 had denoted the rating of SMS Limited as 'ICRA D; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	37.00	ACUITE D
Term loans	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE D
Term loans	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE D
Term loans	Not Applicable	Not Applicable	Not Applicable	2.92	ACUITE D
Term loans	Not Applicable	Not Applicable	Not Applicable	0.68	ACUITE D
Term loans	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE D
Term loans	Not Applicable	Not Applicable	Not Applicable	2.90	ACUITE D
Term loans	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE D

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About Acuité Ratings & Research:

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