

Press Release
Babanraoji Shinde Sugar and Allied Industries Limited

January 08, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs.25.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE B+** (read as **ACUITE B plus**) on the Rs.25.00 crore bank facilities of Babanraoji Shinde Sugar and Allied Industries Limited (BSSAIL). The outlook is '**Stable**'.

BSSAIL was incorporated in 2011 as Indian Sugar Manufacturing Company (Unit-2) Limited. The erstwhile name of the company was changed to Babanraoji Shinde Sugar & Allied Industries Limited in 2014. BSSAIL is promoted by Mr. Ranjit Singh Babanrao Shinde who is currently acting as Chairman and Managing Director of the company. The factory is located at Solapur, Maharashtra and has sugar crushing plant of 5000 Tonnes Crushed per Day (TCD) capacity and a Cogen Power plant with 25 Mega Watt (MW) capacity. Commercial operations of both the sugar and cogeneration division commenced on 9 February 2015.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

Mr. Ranjit Singh Babanrao Shinde, the promoter has an experience in the sugar industry for nearly a decade. The promoter's good industry insights have helped the company to develop long-standing relations with its customer and suppliers.

Acuité believes that BSSAIL will continue to benefit from the promoter's established presence in the sugar industry and its improving business risk profile over the medium term.

Weaknesses

• Average financial risk profile

The company has average financial risk profile marked by moderate net worth albeit average gearing and debt protection matrices. The net worth improved to Rs.67.36 crore as on 31 March 2020 (Provisional) from Rs.37.13 crore as on 31 March 2019. The net worth also consists of preference shares of Rs.42.99 crore, which is considered as quasi equity. The gearing as a result improved; however, still remained high at 3.32 times as on 31 March 2020 (Provisional) as against 7.20 times as on 31 March 2019. The total debt as on 31 March 2020 (Provisional) consists mainly of term loans of Rs.202.43 crore and working capital loans of Rs.21.22 crore. The Total Outside Liabilities To Tangible Net worth (TOL/TNW) remained high at 4.29 times as on 31 March 2020 (Provisional) as against 13.49 times as on 31 March 2019.

The debt protection matrices of interest coverage ratio stood at 2.49 times for FY2020 (Provisional) as against 2.05 times for FY2019. The Debt Service Coverage Ratio (DSCR) however, stood poor at 0.40 times for FY2020 (Provisional) as against 0.23 times for FY2019.

The company has done capex for increasing the capacity of its sugar production in FY2020 from 5000 TCD to 6500 TCD and Cogen capacity from 25 MW to 30 MW for which it took term loan of Rs.75 crore from bank the repayment for which will start from FY2022. Acuité believes that the financial risk profile will continue to remain average mainly constrained by poor DSCR and TOL/TNW and timely fund infusion by the promoters will be critical to improve the same.

• **Cyclicality associated with sugar industry**

The operations of the company are dependent on sugarcane production, which is highly dependent on the monsoon and prices prevailing in 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 company remain extremely sensitive to fluctuations in commodity prices, thereby impacting the overall revenue and profitability profile of the company. 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.

Liquidity position: Stretched

BSSAIL has stretched liquidity position marked by low cash accruals against its debt obligations. The debt obligations are expected to remain in the range of Rs.26-Rs.36 crore for the next three years ending FY2023. The current ratio also stood poor at 0.48 times as on 31 March 2020 (Provisional) as against 0.69 times as on 31 March 2019. Acuité believes that timely support from the promoters in order to maintain the stable credit profile will be key monitorable.

Rating Sensitivities

- Improvement in the scale of operations and profitability margins
- Deterioration in the financial risk profile leading to further stress on liquidity
- Support from promoters for timely servicing of debt obligations

Material Covenants

None

Outlook: Stable

Acuité believes BSSAIL 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 higher than expected revenues and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its financial risk profile due lower than anticipated profitability leading to stretched liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	116.10	227.09
PAT	Rs. Cr.	30.23	0.21
PAT Margin	(%)	26.04	0.09
Total Debt/Tangible Net Worth	Times	3.32	7.20
PBDIT/Interest	Times	2.49	2.05

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

ICRA, vide its press release dated June 30, 2018 had denoted the rating of BSSAIL as 'ICRA C; ISSUER NOT COOPERATING Withdrawn' 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-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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Bank	Ratings/Outlook
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	25.00	NA	ACUITE B+/Stable (Assigned)

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About Acuité Ratings & Research:

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