

Press Release

Shri Balaji Sugars And Chemicals Private Limited

February 28, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	30.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

* Refer Annexure for details.

Rating Rationale

Acuite has assigned the long-term rating of 'ACUITE BB-' (read as ACUITE double B minus) to the Rs. 30.00 crore bank facilities of Shri Balaji Sugars and Chemicals Private Limited (SBSCPL). The outlook is 'Stable'.

About the Company

Incorporated in 2011, Shri Balaji Sugars and Chemicals Private limited is a Karnataka based company promoted by Mr. Hanamanthgouda S Patil, Mr Venkatesh S Patil, Dr Ajit V Kanakaraddi, Mr Nandakumar V. Patil and Mr H L Patil. The company is engaged in manufacturing of sugar, ethanol and power cogeneration. The unit is located in Vijayapur (Karnataka) and has crushing capacity of 10,000 tonnes crushed per day (TCD) and an ethanol plant of 60 KLPD and will be expanded to 180 KLPD by March 2022. SMSEL also has a co-generation plant of 18 mega-watts (MW).

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SBSCPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

SBSCPL was incorporated in 2011. The company is promoted by Mr. Hanamanthgouda S Patil, Mr Venkatesh S Patil, Dr Ajit V Kanakaraddi, Mr Nandakumar V. Patil and Mr H L Patil. The promoter's have an experience of over a decade in the industry. The promoter's good industry insights have helped the company to develop long-standing relations with its customer and suppliers. Also, the company has recorded a revenue of around Rs.334.39 crore in FY2021 as against Rs.249.92 crore in FY2020 and Rs.148.59 crore in FY2019. Similarly, EBIDTA margin of the company stood at 22.94 percent in FY2021 as against 23.89 percent in FY2020. PAT margin stood at 2.98 percent in FY2021 as against 3.97 percent in FY2020.

Acuite believes that the company will benefit from its experienced management and longstanding relations with customers over the medium term.

Weaknesses

Working capital intensive nature of operations

The working capital management of the company is intensive marked by GCA days of 184 days in FY2021 as against 234 days in FY2020. The improvement in GCA days is due to improvement in inventory days which stood at 151 days in FY2021 as against 196 days in FY2020. Also, the debtor days stood at 57 days in FY2021 as against 47 days in FY2020. The average bank limit utilization stood moderate at around 67 percent for the last 8 months ended November 2021.

Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

Average financial risk profile

The financial risk profile of the company stood average marked by negative net worth, negative gearing and average debt protection metrics. The tangible net worth stood at negative Rs.35.27 crore as on March 31, 2021 as against negative Rs.45.23 crore as on March 31, 2020. The reason for negative net worth is because the company has started production in the year-2015-16. However in the season 2016-17 due to severe drought, the company was able to crush only 150000 MT and this has resulted into huge loss to the company and interest burden increased in subsequent years resulting into erosion of capital. The total debt of the company stood at Rs.335.01 crore includes Rs.134.61 crore of long term debt, Rs.15.66 crore of unsecured loans and Rs.184.74 crore of short term debt as on March 31, 2021. The gearing (debt-equity) stood at negative 9.50 times as on March 31, 2021 as compared to negative 7.07 times as on March 31, 2020. Interest Coverage Ratio stood at 1.83 times for FY2021 as against 1.71 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 1.13 times for FY2021 as against 0.98 times for FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at negative (12.53) times as on March 31, 2021 as against negative (9.76) times on March 31, 2020. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.10 times for FY2021 as against 0.08 times for FY2020.

Acuité believes that the financial risk profile of the company is expected to remain at the same level over the medium term.

Cyclicality associated with sugar industry and susceptibility of profitability to volatility in raw material prices

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. 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

Maintaining and improving the scale of operations and profitability margins leading to improvement in overall financial risk profile.

Further stretch in the working capital cycle and liquidity profile of the company.

Material covenants

None.

Liquidity Position: Adequate

The company has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.25.00-35.00 crore during the last three years through 2019-21, while the maturing debt obligation is in the range of Rs.26.00-27.80 crore during the same period. The company's working capital operation stood intensive marked by GCA days of 184 days in FY2021 as against 234 days in FY2020. The company maintains an unencumbered cash and bank balances of Rs.3.81 crore as on March 31, 2021.

The current ratio of the company stood low at 0.54 times as on March 31, 2021. The average bank limit utilization stood moderate at around 67 percent for the last 8 months ended November 2021.

Outlook: Stable

Acuité believes the company will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company shows improvement in the scale of operations and profitability margin while improving its financial risk profile and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the company's revenue or profitability or significant deterioration in the working capital cycle leading to deterioration in its financial risk profile and liquidity position.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	334.39	249.92
PAT	Rs. Cr.	9.96	9.93
PAT Margin	(%)	2.98	3.97
Total Debt/Tangible Net Worth	Times	(9.50)	(7.07)
PBDIT/Interest	Times	1.83	1.71

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

ICRA, vide its press release dated December 02, 2021 had denoted the rating of Shri Balaji Sugars And Chemicals Private Limited (SBSCPL) as 'ICRA D (Withdrawn; 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-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of 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:

Not Applicable.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Vijayapur DCC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB- Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Vishal Kotian Analyst-Rating Operations Tel: 022-49294065 vishal.kotian@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité Ratings & Research 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 8,850 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 Kanjurmarg, Mumbai.

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