

June 25, 2015

## CARE ASSIGNS 'CARE B' AND 'CARE A4' RATINGS TO THE BANK FACILITIES OF SHREE DOODHAGANGA KRISHNA SAHAKARI SAKKARE KARKHANE NIYAMIT

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long term Bank Facilities	185.42	<b>CARE B (Single B)</b>	Assigned
Short term Bank Facilities	29.75	<b>CARE A4 (A Four)</b>	Assigned
<b>Total Facilities</b>	<b>215.17</b>		

### Rating Rationale

The ratings assigned to the bank facilities of Shree Doodhaganga Krishna Sahakari Sakkare Karkhane Niyamit (SDKSKN) is constrained by its weak financial risk profile marked by thin profit margins, accumulated losses as on March 31, 2015, highly leveraged capital structure, working capital intensive nature of operations and seasonal nature of the sugar industry.

However, the ratings derives strength from the long and established track record of the promoters in the sugar industry, fully-integrated business model of sugar mill resulting in de-risking of the core sugar business to a certain extent and strategic location of the sugar factory in the area of high recovery sugar cane.

The ability of SDKSKN to procure the envisaged volume of sugar cane at the envisaged price, improve its profitability margins, debt protection matrices and effectively manage working capital cycle are the key rating sensitivities.

### Background

Shree Doodhaganga Krishna Sahakari Sakkare Karkhane Niyamit (SDKSKN) is a multi-state co-operative society, incorporated in March 1969 by Mr. Chidanand B. Kore to undertake sugar & sugar related production business. The first crushing season of the sugar factory was conducted in sugar season (SS) 1974-75 with a crushing capacity of 1,250 tonnes crushed per day (TCD). The crushing capacity was further enhanced in stages to its present level of 8,000 TCD. In order to mitigate the seasonal and cyclical nature of sugar industry, the society has installed a distillery unit of 30 kilo liters per day (KLPD) and a co-generation unit of 20.70 mega-watt (MW) in year 2002 and 2004, respectively. The surplus power (post captive consumption) generated from co-generation unit is sold to Karnataka Power Transmission Corporation Limited (KPTCL). The fully integrated sugar plant of SDKSKN is located in Taluka Chikodi, Dist. Belgaum, Karnataka. Presently, the society is spearheaded by Mr. Amit P. Kore, Chairman and Mr. D.S. Girigoudar as Managing Director.

During crushing season SS 2014-15, SDKSKN crushed sugarcane to the tune of 10.07 lakh MT and produced 1.21 lakh MT sugar at an average recovery rate of 12.05%.

During FY14, SDKSKN reported a loss of Rs. 6.81 crore on a total operating income of Rs.329.21 crore. In FY15 (provisional) SDKSKN reported a PAT of Rs. 5.72 crore on a total operating income of Rs. 398.02 crore.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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