

Shri Prabhulingeshwar Sugars and Chemicals Ltd

January 14, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	126.58	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	80.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	206.58 (Rs. Two Hundred Six Creore and Fifty-Eight Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Shri Prabhulingeshwar Sugars and Chemicals Ltd (SPSCL) to monitor the rating(s) vide e-mail communications November 18, 2020, December 11, 2020, December 16, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on SPSCL's bank facilities will now be denoted as **CARE B+/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Detailed description of the key rating drivers

At the time of last rating on March 27, 2020 the following were the rating strengths and weaknesses.

Key Rating Weaknesses

Weak financial profile characterised by drop in margins and weak debt coverage indicators

The company's financial risk profile is marked by highly leveraged capital structure and weak debt coverage indicators. PBDILT margin reduced from 18.98% in FY18 to 15.31% in FY19. Drop in profitability margins was on account of fall in cane crushing days due to draught conditions in the last quarter of FY19 leading to lower yield of cane. Debt equity ratio deteriorated from 0.82x in FY18 to 1.15x in FY19 and overall gearing deteriorated from 3.84x in FY18 to 4.59x in FY19 due to increase in term debt. TDGCA also increased from 20.89x in FY18 to 26.03x in FY19.

Based on CARE's interaction with bankers, the company did not availed moratorium under RBI's COVID 19 package to defer the debt obligations.

Working capital intensive nature of operations

High levels of inventory holding (due to seasonality associated with sugarcane), coupled with low credit on sugarcane purchase, makes the operations of the company working capital intensive. SPSCL has an inventory holding period of 365 days in FY19 (PY: 400). Working capital cycle improved from 135 days in FY18 to 120 days in FY19 on account of reduction in inventory period.

Cyclical and regulated nature of the industry

Cyclical nature of the sugar industry significantly impacts the operating performance and cash flow generation of the sugar companies. Both the raw material prices and distribution of end products (sugar) are regulated by the government. In addition to this, sale and distribution of by-products (molasses and power) also are regulated at different levels in different States. Sugar industry is also impacted by vagaries of monsoon and prevailing agro climatic condition. Integrated players are in a better position to counter cyclical nature of the sugar business.

Key Rating Strengths

Extensive experience of the promoters in sugar and allied industries

SPSCL is promoted by Mr. Jagadeesh S Guduganti who has an extensive experience of over 40 years in the sugar and allied industries. The group also has considerable experience in supplying sugar machinery. Mr. Jagadeesh is a licensed sugar machinery manufacturer registered with Commissionerate of Sugar Maharashtra & Andhra Pradesh, Gujarat & Karnataka.

Improved operational performance

The plant operated only for 99 days in FY19 and crushed around 9.52 lakh MT of sugar cane in FY19. In FY19, company earned total revenue of Rs. 392.27 cr against Rs.305 cr in FY18 recording a growth of 28.63% in FY19 over FY18. However, sugar sales realization reduced from Rs. 3416/ Qtl in FY18 to Rs. 2822.49/ Qtl in FY19 on account of export of about 20% of total sugar produced in FY19 to European countries. During 11MFY20, the plant ran for 104 days and earned total revenue of Rs. 422.57 Cr and revenue of Rs. 307.60 cr by selling 10.51 lakh Quintal of sugar at average realization of Rs. 2928.12 / Qtl.

Integrated operations with captive source of power

SPSCL has integrated operations with power generation capacity of 41.5 MW. The company uses the power generated for captive consumption and the surplus power is sold to various Electricity Supply Companies in Karnataka. During FY19, company generated 83.63 mn units of which 38.80 mn units were used for captive consumption and rest was sold to other companies in Karnataka.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-financial sector entities](#)

About the Company

Shri Prabhulingeshwar Sugars & Chemicals Ltd. (SPSCL), incorporated in 1995 by Mr. Jagadeesh S Guduganti who has an extensive experience as a consultant and machinery supplier for sugar and allied industries. SPSCL primarily engaged in the manufacturing of sugar and allied products, started its commercial operations in 1999 with plant capacity of 2500 TCD & 17.5 MW cogeneration plant in Siddapur Village, Jamakhandi Taluka of Bagalkot District in Karnataka. SPSCL has extended its capacity to 12000 TCD & 41.5 MW with recovery around 9.5-12.5% from the cane crushed. Company is diversified into other fields such as power and ethanol production. SPSCL has 2 associates namely Siddapur Distilleries Ltd and Guduganti Project Engineers Pvt. Ltd.

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	304.42	391.58
PBILDT	57.79	59.94
PAT	0.48	-2.24
Overall gearing (times)	3.84	4.59
Interest coverage (times)	1.38	1.33

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	80.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Working Capital Demand loan	-	-	-	-	80.00	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	-	46.58	CARE B+; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	80.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (27-Mar-20)	1)CARE B+; Stable (22-Jan-19)	-
2.	Fund-based - ST-Working Capital Demand loan	ST	80.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (27-Mar-20)	1)CARE A4 (22-Jan-19)	-
3.	Fund-based - LT-Term Loan	LT	46.58	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (27-Mar-20)	-	-

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated facilities – Not applicable

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Fund-based - ST-Working Capital Demand loan	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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