

Sugarcane Producers Vividh Karykari Sahakari Society Limited

October 22, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	9.00	CARE B; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE B+; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Sugarcane Producers Vividh Karykari Sahakari Society Limited (SPVK) to monitor the rating(s) vide e-mail communications/letters dated July 30, 2024, August 09, 2024, and October 08, 2024, among others and numerous phone calls. However, despite our repeated requests, SPVK has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, SPVK has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on SPVK bank facilities will now be denoted as **CARE B; Stable; 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).

The rating has been revised on account of insufficient information to arrive at the rating. The ratings further remained constrained by its small scale of operation, moderate profitability margins, weak debt coverage indicators and stretched working capital cycle. The rating further continues to be constrained by presence in highly fragmented and competitive industry and its stretched liquidity.

The rating however continues to derive strength from established track record with experienced promoters and comfortable capital structure

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on November 29, 2023, the following were the rating strengths and weaknesses:

Key weaknesses

Small scale of operations

Despite the long track record of the society, the scale of operations has remained small with total operating income (TOI) generated by the company of Rs. 6.21 crore in FY23 vis-à-vis Rs.4.84 crore in FY22. The same has slightly improved during the year owing to the income derived from lending business coupled with improvement in overall demand for seeds and fertilizers. The trading business contributed 81% of total sales in FY23 as against 78% in FY22. Furthermore, the society has booked sales of about Rs. 2.00 crore during H1FY24 vis-à-vis 2.91 crore in H1FY23.

Furthermore, the society has booked sales of about Rs. 2.00 crore during H1FY24 vis-à-vis 2.91 crore in H1FY23. Moreover, the tangible networth of the company remained moderately low at Rs. 5.69 crore as on March 31, 2023 (vis-à-vis Rs.5.13 crore as on March 31, 2022) with GCA level of Rs.0.21 crore in FY23 (vis-à-vis Rs.0.08 crore in FY22).

Moderate profitability margins

The profit margins of the firm have been fluctuating over the period FY18-FY22 led by variation in cost of traded goods. PBILDT margin deteriorated on the account of increase in prices of traded goods (seeds, fertilizers and pesticides). The PBILDT margins deteriorated from 14.22% in FY22 to 11.70% in FY23 due to decline in realizations from the agriculture related income in FY23. The PAT margin, however, improved from 1.13% in FY22 to 3.09% in FY23 due to non-operating income of Rs. 0.07 crore towards rental income derived from renting its godown and grading machine.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Weak debt coverage indicators

Due to improvement in cash accruals of the society, the debt coverage indicators improved significantly but stood weak with total debt to GCA of 13.72 in FY23 vis-à-vis 33.72x in FY22. Further, interest coverage of the society improved but stood weak at 1.32x in FY23 from 1.08x in FY22 due to improvement in PBILDT in FY23.

Stretched working capital cycle

SPVK carries out trading of seeds and fertilizers along with providing financing services to farmers. The major income of the society is generated through trading (80%) and other via lending activity (20%). The majority of the funds are blocked in receivables which stood at Rs. 4.27 crores as on March 31, 2023, which is 68.70% of the total TOI of FY23. Further, due to low bargaining power in their trading business, the operating cycle stood high at 318 days in FY23 vis-à-vis 454 days in FY22. For their lending activity, the credit given to the farmers is 65% in the form of seeds and fertilizers while 35% in cash, which helps society to increase its trading of seeds and fertilizers.

Key strengths

Established track record with experienced promoters

SPVK has a track record of more than six decades and has reinforced its footings in trading of agro products business. SPVK is promoted by Mr. Ghanshyam Vijayrao Jadhav (Bhongale). Mr. Jadhav has an experience of around 10 years in the industry thereby leading to strong relationships with the customers as well as the suppliers. Due to longstanding industry presence, the society has been able to establish its own reputation. The society's sound market position will facilitate it to enhance its size of operations.

Comfortable capital structure

The capital structure of SPVK continues to remain comfortable and marginally improved with overall gearing of 0.52x as on March 31, 2023, vis-à-vis 0.51x as on March 31, 2022, owing slight improvement in networth in FY23. The increase in networth was due to an increase in capital on account of receipt of fund. During FY20, a part of the office premises of the society was taken over by government authorities in the road development activity, the compensation for which was received in the form of an on-time payment of Rs. 0.65 crore in FY23.

Liquidity: Stretched

The liquidity position remained stretched as marked by cushion in accruals against no repayment obligations and cash balance of Rs.0.36 crore as on March 31, 2023. Its cash credit limits of Rs.6.97 crore is average utilized at 90% during past twelve months ended October 2023. Further, the current ratio and quick ratio stood at 1.99x and 1.76x respectively as on March 31, 2022 (vis-à-vis 1.89x and 1.69x respectively as on March 31, 2022). Further cash flow from operations was positive at Rs. 1.23 crore in FY22. The working capital requirements are met by the cash credit facility and through internal accruals.

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

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

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

Sugarcane Producers Vividh Karykari Sahakari Society Ltd (SPVK) is Malshiras, Solapur based cooperative society established in the year 1957 under the Societies Registration Act 1860. The society is promoted by Mr. Ghanshyam Vijayrao Jadhav (Bhongale) in the strength of Chairman. The society generates income from financial activities and trading of fertilizers, pesticides & seeds. The servicing facility is located at Malinagar, Solapur, Maharashtra. The entity has branches in two cities namely Akluj, Maharashtra and Tembhurni (Tal-Indapur), Maharashtra. Under financial activities, society provides crop loans to the farmers for sugarcane production, fruits and other crops. The average tenure for the crop loan is about one and a half year and development

loan are for a term of three years. The society generates income from two segments namely income from financial activities and trading activity in the ratio of 20:80

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	September 30, 2023 (UA)
Total operating income	4.84	6.21	2.00
PBILDT	0.69	0.73	NA
PAT	0.05	0.19	NA
Overall gearing (times)	0.51	0.52	NA
Interest coverage (times)	1.08	1.32	NA

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	6.97	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Proposed fund based limits		-	-	-	2.03	CARE B; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	6.97	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (29-Nov-23)	1)CARE B+; Stable (23-Nov-22)	1)CARE B+; Stable (03-Dec-21)
2	Fund-based - LT-Proposed fund based limits	LT	2.03	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (29-Nov-23)	1)CARE B+; Stable (23-Nov-22)	1)CARE B+; Stable (03-Dec-21)

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Proposed fund based limits	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Akhil Goyal Director CARE Ratings Limited Phone: +91-22-6754 3590 E-mail: akhil.goyal@careedge.in
Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Ashish Kambli Associate Director CARE Ratings Limited Phone: +91-22-6754 3597 E-mail: Ashish.k@careedge.in
	Pranay Nighukar Analyst CARE Ratings Limited E-mail: Pranay.Nighukar@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**