

Rai Bahadur Narain Singh Sugar Mills Limited

January 17, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	4.98	CARE BB+; Stable	Assigned
Long Term / Short Term Bank Facilities	275.02	CARE BB+; Stable / CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Rai Bahadur Narain Singh Sugar Mills Limited (RBNS) are constrained by moderate operational performance of the company and working capital intensive nature of operations as reflected by high operating cycle. The ratings also factor in risk associated with dynamic nature along with regulated nature of sugar business and susceptibility of profitability to volatility in material prices. However, these ratings draw comfort from diversified revenue stream, comfortable capital structure and experienced promoters in the industry. CARE Ratings Limited (CARE Ratings) believe the company's ability to improve its inventory period will remain a key credit monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in total operating income (TOI) above ₹800 crore along with improvement in the cost structure as marked by profit before interest, lease rentals, depreciation and taxation (PBILDT) margins above 15% on a sustained basis.
- Improvement in the operating cycle of the company below 120 days on a sustained basis.

Negative factors

- Adverse changes in government policies affecting the operations and cash flow of the entity significantly.
- Any large debt-funded capital expenditure weakening the capital structure as marked by overall gearing of above 1.00x on a sustained basis.
- Deterioration in TOI below ₹500 crore along with decline in profitability margins as marked by PBILDT margin below 8%.

Analytical approach: Standalone

Outlook: Stable

"Stable" outlook reflects CARE Ratings opinion that RBNS will continue to derive benefit from its long-standing experience of promoters in the industry.

Detailed description of key rating drivers:

Key weaknesses

Moderate operational performance

TOI grew at a compounded annual growth rate (CAGR) of 7.37% in the last 5 years ended FY24 (refers to the period April 01 to March 31) however, moderated by 22% in FY24 over FY23. Further, the profitability margins as reflected by PBILDT and profit after tax margin stood moderate at 11.11% and 6.78%, respectively, in FY24 as against 12.62% and 7.86%, respectively, in FY23. The harvest of sugarcane was affected by the floods in Laksar which is the designated area from which the company procures sugarcane, attributing to the moderation in the operational performance. Additionally, the company achieved operating income of ₹220 crore in 8MFY25 (refers to the period April 01 to November 30) and is expected to improve during the remaining part of the year owing to seasonality.

Working capital intensive nature of operations

The operating cycle of the company is capital intensive in nature as reflected by the elongated operating cycle mainly due to high inventory levels during March. Owing to the seasonality, the entity has to maintain a suitable raw material inventory to ensure

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

uninterrupted supply throughout the year. The operating cycle of the company increased to 164 days as on March 31, 2024, from 149 days as on March 31, 2023, and is expected to stay elongated as on balance sheet date. Inventory holding period was high at 190 days in FY24 (PY: 181 days). The company's ability to improve its inventory period will remain a key credit monitorable.

Risk associated with dynamic nature and regulated nature of the sugar industry

Sugarcane is the primary raw material for producing sugar and related products. Its availability and yield are influenced by factors such as rainfall, temperature, soil conditions, demand-supply dynamics, and government policies. The production of sugarcane, and consequently sugar, follows a cyclical pattern. This cyclical and seasonal nature of the industry significantly affects the profitability and sustainability of sugar mills. The sugar industry is cyclical and heavily influenced by government policies due to its classification as an essential commodity in the Wholesale Price Index (WPI). The government implements various regulations, such as setting raw material prices through State Advised Prices (SAP) and Fair & Remunerative Prices (FRP). CARE Ratings believe these factors affect sugarcane cultivation patterns across the country, thereby impacting the profitability of sugar companies.

Susceptibility of profitability to volatility in material prices

The profitability of the sugar industry is highly susceptible to volatility in material prices, particularly the cost of raw sugarcane. Fluctuations in sugarcane prices can be driven by various factors such as weather conditions, government policies, and global market demand. When sugarcane prices rise, production costs increase, squeezing profit margins for sugar manufacturers. Conversely, a drop in sugarcane prices can enhance profitability, provided other costs remain stable. Additionally, the sugar industry often faces challenges from fluctuating energy prices and transportation costs, which further impact overall profitability.

Key strengths

Integrated business model and diversified revenue stream

The company's forward diversification into cogeneration and distillery segments mitigates risks associated with its core sugar business. RBNS operates manufacturing units for both sugar and ethanol. The company boasts an installed capacity of 11,000 tons per day (TPD) for sugar production, 120 kilo liters per day (KLPD) for its distillery operations, and a cogeneration powerplant of 29.6 MW capacity which uses bagasse as input. The distillery plant commenced operation in December 2014 and cogeneration power plant has been operational since 2006.

Comfortable capital structure and satisfactory debt coverage indicators

The overall gearing of the company stood comfortable at 0.56x as on March 31, 2024, mainly due to lesser reliance on external debt and comfortable net-worth base of ₹250.27 crore as on March 31, 2024. Further, the debt coverage indicators as marked by interest coverage ratio (ICR) stood at 12.11x as on March 31, 2024, due to low interest levels and total debt to gross cash accruals (TDGCA) stood at 2.53x as on March 31, 2024. RBNS's comfortable capital structure provides sufficient gearing headroom in case of exigencies.

Extensive experience of promoters in the industry

Incorporated in November 1932, RBNS has a long track record of operations of more than 80 years in production of sugar. The company began its operations with an installed crushing capacity of 400 tons of cane per day (TCD) in 1934. Over the years, the company has increased its crushing capacity to 11000 TCD as on March 31, 2024. The company is promoted by Hardev Singh Akoi, who has more than 40 years of experience in the corporate world and is the chairman of the company. Further, Adil Singh Akoi, son of Hardev Singh Akoi and managing director of the company, has more than 21 years of experience and looks after the day-to-day operations of the company.

Liquidity: Adequate

The company's liquidity is adequate as marked by gross cash accruals of ₹55.83 crore as on March 31, 2024, and debt repayment obligation of ~₹18 crore in FY25. As of March 31, 2024, the current ratio and quick ratio stood at 1.49x and 0.17x, respectively (PY: 1.37x and 0.17x, respectively). The average utilization for the trailing twelve months ending October 2024 remains at ~57% with the highest average utilization of ~79% in the month of April 2024. The unencumbered cash and bank balance was ₹1.63 crore as of March 31, 2024. The company does not plan to indulge in any debt funded capital expenditure going forward except a regular capex of ~₹7 crore.

CARE Ratings takes note of unsecured loan of Government of Uttarakhand. During 2003, the central government came up with the scheme towards the financial assistance to fund difference between SAP and FRP, the same remains unpaid continuously since 2008 due to non-recovery by the government. The company has been submitting requests to the government department to confirm that this was a financial assistance and the same has also been reported in the audit report since long. However, the

company is still getting interest subvention, power payment and subsidy on regular basis. Further, RBNS has sufficient liquidity to pay the said amount if the demand is raised.

Assumptions/Covenants: Not Applicable

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

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Sugar](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

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	Sugar

RBNS was incorporated as a private limited company in November 1932 by Shri Rai Bahadur Narain Singh. The company was converted to public limited in May 1956. Presently, Hardev Singh Akoi, great grandson of Shri Rai Bahadur Narain Singh, is the chairman of the company and Adil Singh Akoi, son of Hardev Singh Akoi is the managing director of the company. RBNS was incorporated to set up a sugar manufacturing unit. RBNS also has a distillery and a cogeneration power plant which uses bagasse as input.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	8MFY25 (UA)
Total operating income	862.23	676.15	220.00
PBILDT	108.82	75.14	NA
PAT	67.79	45.82	NA
Overall gearing (times)	0.74	0.56	NA
Interest coverage (times)	10.24	12.11	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: India Ratings has continued the ratings assigned to the bank facilities of Rai Bahadur Narain Singh Sugar Mills Limited into 'Issuer not-cooperating' category vide press release dated March 12, 2024, on account of non-availability of requisite information from the company.

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2026	4.98	CARE BB+; Stable
Fund-based - LT/ ST-Cash Credit	-	-	-	-	275.02	CARE BB+; Stable / CARE A4+

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	-	-	1)CARE D; ISSUER NOT COOPERATING* (14-Oct-24) 2)Withdrawn (14-Oct-24) 3)CARE D; ISSUER NOT COOPERATING* (24-Apr-24)	-	1)CARE D; ISSUER NOT COOPERATING* (01-Feb-23) 2)CARE BB+; Stable; ISSUER NOT COOPERATING* (25-Apr-22)	-
2	Fund-based - LT-Term Loan	LT	4.98	CARE BB+; Stable				
3	Fund-based - LT/ ST-Cash Credit	LT/ST	275.02	CARE BB+; Stable / CARE A4+				

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

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities
Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	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

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About us:

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