

Mellbro Sugars Private Limited

February 05, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Short Term Bank Facilities	25.00	CARE A4; ISSUER NOT COOPERATING*	Rating 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. (CARE Ratings) has been seeking No default statement (NDS) from Mellbro Sugars Private Limited (MSPL) to monitor the rating vide e-mail communications/ letters dated December 17, 2024, January 20, 2025, February 03, 2025, and numerous phone calls. However, despite our repeated requests, the Company has not provided the NDS for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings has reviewed the rating on the basis of the best available information which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating.

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

Analytical approach: Standalone

Outlook: Not Applicable

Detailed description of the key rating drivers:

At the time of the last rating on April 23, 2024, the following were the rating strengths and weaknesses:

Key weaknesses

Leveraged capital structure and weak coverage indicators

MSPL's weak capital structure is marked by substantially high debt levels due to ongoing capex and negative net worth on account of losses reported during FY23. As on March 31, 2023, the company's net worth was negative at Rs. 14.24 crore. The interest coverage ratio for FY23 was below unity at 0.95x.

Stabilization related issues

FY23 being first full year of operations, MSPL faced stabilization related challenges and could not operate the plant at optimum levels. PBILDT margin of the company stood at 12.77% but incurred net loss because of higher interest costs translating into negative networth. MSPL expects it to turn positive beginning FY26 once, MSPL starts receiving full-fledged benefits from its ongoing capex of sugar expansion and ethanol production.

Low vintage of business operations

MSPL has started its commercial operations beginning financial year FY23 with 5000 TCD of sugar and 25.6 MW of co-generation. The company has ongoing capex for expansion of sugar capacity from 5000 TCD to 8000 TCD, and fresh addition of 200 KLPD ethanol which exposes the company to stabilisation, profitability, and operational risk. The timely completion of ongoing capex and satisfactory revenue contribution from ethanol would be keep area monitorable.

Cyclical and highly regulated industry

The entire value chain of sugar industry is subject to control of the Government. Sugarcane, the key raw material, prices of which is regulated by government and also determined by volatility of market, makes the profitability of sugar industries susceptible. Both the raw material prices and distribution of end product (sugar) are regulated by the government. In addition to this, sale and distribution of by-products (molasses and power) also 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 cyclicity of the sugar business. Further, cyclical nature of the sugar industry significantly impacts the operating performance and cash flow generation of the sugar companies.

Key strengths

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

Increase in sugarcane crushing during SS24

The company has witnessed improvement in turnover during FY24 aided by increase in sugarcane crushing during the season. Company had total sugarcane crushing of ~7.75 MT during SS224 as compared to ~5.75 MT during SS23. In FY23, the total turnover of the company was Rs. 173.87 crores which increased to Rs. 230.35 crores during 11MFY24 and the company is expected to achieve near to Rs. 300 crores of revenue in FY24. Further, the company is expected to commence its enhanced sugar capacity and ethanol production during Q3FY25 which will enable the company to generate additional revenue. The fullfledged benefits of revenue contribution from capacity addition and ethanol is likely to start from FY26.

Diversified business operations

MSPL has diversified source of revenue. The company generates revenue majorly from sugar, molasses, and co-gen. It generates monthly revenue of Rs. 4-4.5 crores during crushing season (Nov-March) from power generation. Furthermore, the entity has ongoing capex for ethanol production which would operate from sugar juice and molasses. However, MSPL is also planning to add multi-feed ethanol production capacity to produce ethanol during off season. Same will be implemented once the ongoing ethanol capacity starts operations and reaches optimum utilisation level.

Applicable criteria

[Definition of Default](#)

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

[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

MSPL was set up by Shivanand S Melligeri and Santosh S Melligeri. MSPL is engaged in the crushing of sugarcane and has a sugar mill located at Shirur, Bagalkot Taluk, Karnataka with an installed crushing capacity of 5,000 TCD (tons of cane per day) and a co-generation plant of 25.6 MW. Currently, MSPL has ongoing capex for further enhancing the sugar capacity from 5,000 TCD to 8,000 TCD and ethanol (molasses & juice based) of 200 KLPD.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	December 31, 2023 (UA)
Total operating income	0.00	173.87	110.65
PBILDT	0.00	22.21	26.76
PAT	0.00	-39.07	-16.00
Overall gearing (times)	7.58	NM	NA
Interest coverage (times)	0.00	0.95	1.12

A: Audited UA: Unaudited NM: Not Meaningful NA: Not Available; Note: 'the above results are latest financial results available'

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - ST-Working Capital Limits	-	-	-	-	25.00	CARE A4; 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 - ST-Working Capital Limits	ST	25.00	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4 (23-Apr-24)	-	-	-

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

ST: 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 - ST-Working Capital 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 Karthik Raj K Director CARE Ratings Limited Phone: +91-80-46625555 E-mail: karthik.raj@careedge.in
Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: +91-22-6754 3404 E-mail: saikat.roy@careedge.in	Himanshu Jain Associate Director CARE Ratings Limited Phone: +91-80-46625528 E-mail: himanshu.jain@careedge.in
	Preeti Narkhede Analyst CARE Ratings Limited E-mail: Preeti.Narkhede@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**