

**Rai Bahadur Narain Singh Sugar Mills Ltd**  
 January 29, 2021

**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	280.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category; Outlook revised from Positive
<b>Total Bank Facilities</b>	<b>280.00</b> <b>(Rs. Two Hundred Eighty Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

**Rai Bahadur Narain Singh Sugar Mills Ltd** has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE's rating on **Rai Bahadur Narain Singh Sugar Mills Ltd's** bank facilities and will now be denoted as **CARE BB+; 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 reaffirmation of the rating assigned to the bank facilities and instrument of Rai Bahadur Narain Singh Sugar Mills Ltd (RBNS) takes into account cyclical nature of the sugar industry, its working capital intensive nature of operations and regulated nature of the business. The ratings derive strength from its experienced promoters and management team, long track record of operations, forward integration into cogeneration and distillery businesses and its moderate financial risk profile.

**Outlook: Stable**

The outlook for the bank facilities of RBNS have been revised from positive to stable on account of lower than envisaged improvement in the financial risk profile of the company with decline in its profitability margins and lower than expected sales and profitability from its distillery segment.

**Detailed description of the key rating drivers**

*At the time of last rating on Nov 13, 2019, the following were the rating strengths and weaknesses (updated for the information available from Client):*

**Key Rating Weaknesses**

**Cyclical & Regulated nature of sugar business:** The industry is cyclical by nature and is vulnerable to the government policies for various reasons like its importance in the Wholesale Price Index (WPI) as it classifies as an essential commodity. The government on its part resorts to various regulations like fixing the raw material prices in the form of State Advised Prices (SAP) and Fair & Remunerative Prices (FRP). All these factors impact the cultivation patterns of sugarcane in the country and thus affect the profitability of the sugar companies.

**Working capital intensive operations:** Sugar industry being seasonal in nature has high working capital requirements during the peak season which is from November to April. The companies have high working capital requirements during the peak season to procure their primary raw material, i.e., sugarcane and manufacture sugar during this period. Though the company has de-risked their model by reducing dependence on sugar to some extent, the fortune of sugar segment may affect the overall profitability and fund requirement.

**Key Rating Strengths**

**Moderate Financial risk profile:** Total income from operations increased by 46% to Rs 530.12 crore in FY20 from Rs 363.30 crore in FY19 primarily due to higher sales in the sugar segment. Company sold 11.77 lac QTL of sugar @ 3222 per QTL domestically and exported 2.33 lac QTL of sugar @ 1920 per QTL in FY20 as against 8.62 lac QTL of sugar @ 3044 per QTL domestically in FY19. PBILDT margin of RBNS moderated in FY20 to 9.58% (P.Y: 11.89%) mainly due to increased raw material cost. The overall gearing of the company improved to 2.19x as on March 31, 2020 as against 2.44x as on March 31, 2019 majorly on account of improved net-worth of the company. Total debt of the company has increased to Rs. 223.24 crores as

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

on 31st Mar 2020 including term loan of Rs. 31.53 crores, Uttarakhand State Govt. Loan of Rs. 11.89 crores and working capital borrowings of Rs. 179.83 crores as against total debt of Rs 214.43 crores as on 31st Mar 2019 including term loan of Rs. 16.24 crores, Uttarakhand State Govt. Loan of Rs. 11.89 crores and working capital borrowings of Rs 198.19 crore.

In H1FY21 (provisional), total income from operations increased by 24% to Rs 277.69 crore from Rs 224 crore in H1FY20 primarily due to higher sales in the sugar segment.

**Experienced promoters and long track record:** 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 TCD in 1934. Over the years, the company has increased its crushing capacity to 8400 TCD as on March 31, 2019. The company is promoted by Mr. Hardev Singh Akoi, who has more than 40 years of experience in the corporate world and is the chairman of the company. He is a graduate in Economics and has been associated with RBNSML since 1986. Further, Mr. Adil Singh Akoi, son of Mr. Hardev Singh Akoi and managing director of the company, has more than 15 years of experience and looks after day to day operations of the company. He is a graduate in business administration.

**Integrated nature of operations:** RBNS's sugar division is fully integrated with forward integration into cogeneration and distillery operations that de-risk the core sugar business of the company to some extent. RBNS has a distillery with installed capacity of 60 kilo litre per day (KLPD) and a cogeneration power plant of 30 MW capacity which uses bagasse as input. Out of the total power produced, RBNS is exporting more than 15MW to Uttarakhand Power Corporation Limited (UPCL) as per the prevailing tariff as determined by Uttarakhand Electricity Regulatory Commission. The distillery plant commenced operation in December, 2014 and cogeneration power plant has been in operation since 2006. Further, the company is also selling country liquor with liquor bottling capacity of 500 cases per day. During FY20, the distillery and power division together contributed around 20% of the TOI and balance 80% was from the sugar division.

**Liquidity:** The liquidity profile of the company remains adequate with integrated nature of operations and current ratio of 1.03x as on March 31, 2020. Operating cycle of the company has improved to 158 days in FY20 as compared to 172 days in FY19 primarily due to decrease in average inventory days from 385 days in FY19 to 298 days in FY20. Sugar inventory stood Rs. 349 crores as on March 31, 2020 as against Rs. 361 crores as on March 31, 2019. Inventory though reduced, remains high as the government controls the quantity of sugar sold in the market through monthly quota allocation. Sugar stock stood at Rs. 261.65 crores and cane arrears stood at Rs. 89.50 crores as on September 30, 2020. The average working capital utilization for past 12 months period ended November 2020 stood moderate at 70%.

**Analytical Approach:** Standalone

#### Applicable Criteria

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

[CARE's Criteria on assigning Outlook and Credit watch to Credit Ratings](#)

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

[Rating Methodology – Sugar Sector](#)

[Rating Methodology-Manufacturing Companies](#)

[CARE's methodology for financial ratios \(Non Financial sector\)](#)

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

#### About the Company

Rai Bahadur Narain Singh Sugar Mills Limited (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, Mr. Hardev Singh Akoi, great grandson of Shri Rai Bahadur Narain Singh, is the chairman of the company and Mr. Adil Singh Akoi, son of Mr. Hardev Singh Akoi is the managing director of the company.

RBNSML was incorporated to setup a sugar manufacturing unit with an installed crushing capacity of 400 tonnes crushed per day (TCD). Over the years, the company has increased its crushing capacity to 8400 TCD as on March 31, 2019. RBNS also has a distillery with installed capacity of 60 kilo litre per day (KLPD) and a cogeneration power plant of 30 MW capacity which uses bagasse as input. Out of the total power produced, RBNSML is exporting more than 15 MW to Uttarakhand Power Corporation Limited (UPCL). Further, the company is also selling country liquor with liquor bottling capacity of 500 cases per day.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	363.60	530.12
PBILDT	43.24	50.79
PAT	16.52	19.05
Overall gearing (times)	3.44	2.58
Interest coverage (times)	3.44	2.58

A: Audited

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

**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	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	280.00	CARE BB+; 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	280.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Positive (13-Nov-19)	1)CARE BB+; Stable (03-Jan-19)	1)CARE BB+; Stable (28-Sep-17)

\*Issuer did not cooperate; Based on best available information

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA**

**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

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

## Contact us

### Media Contact

Mradul Mishra  
Contact no. – +91-22-6837 4424  
Email ID – mradul.mishra@careratings.com

### Analyst Contact

Group Head Name: Ms Ravleen Sethi  
Group Head Contact no.: 011- 45333251  
Group Head Email ID: [ravleen.sethi@careratings.com](mailto:ravleen.sethi@careratings.com)

### Business Development Contact

Name: Swati Agrawal  
Contact no. : +91-11-4533 3200  
Email ID: swati.agrawal@careratings.com

### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### Disclaimer

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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