

Krantiagrani Dr. G.D. Bapu Lad Sahakari Sakhar Karkhana Limited (Revised)

August 05, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long term Bank Facilities	13.99	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable; Issuer not cooperating*)	Issuer Not Cooperating; Revised from CARE B+; Stable (Single B Plus; Outlook: Stable) on the basis of best available information
Total	13.99 (Rs. Thirteen crore and ninety nine lakh only)		

Details of instruments/facilities in Annexure-1

Detailed description of the key rating drivers

CARE had, vide its press release dated June 17, 2019, placed the rating of Krantiagrani Dr. G.D. Bapu Lad Sahakari Sakhar Karkhana Limited (KBSSKL) under the 'issuer non-cooperating' category as KBSSKL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. KBSSKL continues to be non-cooperative despite repeated requests for submission of information through email dated July 24, 2020, June 28, 2020 and June 29, 2020. In line with the extant SEBI guidelines, CARE has reviewed the ratings on the basis of the best available information which however, in CARE's 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.

The revision in the rating assigned to the bank facilities of KBSSKL takes into account non-availability of information due to non-cooperation by KBSSKL with CARE's efforts to undertake a review of the rating outstanding. Further, due diligence with bank who has extended the facility could not be undertaken. CARE views information availability risk as a key factor in its assessment of credit risk. Further CARE takes note of the moratorium availed by the company for the period March 2020 – August 2020 from one of its bankers (facilities not rated by CARE).

Detailed description of the key rating drivers

At the time of last rating on June 17, 2019 the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Cyclicality and agro-climatic risk associated with the sugar industry: Sugarcane is the key raw material used for the manufacture of sugar and sugar-related products. The availability and yield of sugarcane depends on factors like rainfall, temperature and soil conditions, demand-supply dynamics, government policies etc. The production of sugarcane and hence sugar is cyclical in nature, wherein production of sugarcane is on an uptrend for two years and then declines over the next two years, before trending up again.

Financial risk profile marked with Growth in TOI albeit having thin profitability margins, high overall gearing and weak debt coverage indicators: KBSSKL registered a y-o-y growth of 18.36% in total operating income in FY16 to Rs.316.76 crore (about 78% of the total revenue contributed by sugar segment) as against Rs.267.64 crore in FY15. During FY16, the remaining sales contribution comprised revenue from co-generation unit (15%), and distillery unit and by product sales (Press mud, sludge etc.) during FY16. KBSSKL being a co-operative society has relatively lower profit margin compared to other Private Sugar factory, as it distributes the surplus profit by way of incremental sugar cane payment. The PBILD margin of the company remained in a range of 8% to 10% over the period of past 3 years i.e FY14 –FY16 and the PAT margins was improved but stood very low at 0.11% during FY16 as against 0.05% in FY15. The debt profile of the company includes long term rupee term loans for sugar factory and co-generation unit and working capital borrowings. The total debt to equity and overall gearing of KBSSKL deteriorated and stood at 1.59x and 3.03x respectively as on March 31, 2016 as against 1.42x and 2.77x as on March 31, 2016, mainly on account of additional excise duty loan and increased working capital utilization due to higher quantum of unsold sugar inventory.

Key Rating Strengths

Experienced Management: Krantiagrani Dr. G.D. Bapu Lad Sahakari Sakhar Karkhana Limited (KBSSKL) is a co-operative society promoted by Late. Mr Krantiagrani Dr G.D. Lad (Founder Promoter) to undertake the manufacturing of sugar and related production. Mr G.D. Lad was a social activist and ex. Member of Legislative Assembly (MLA) from Tasgaon constituency. Presently the society is spearheaded by Mr Arun Lad (Chairman) (son of Mr G.D. Lad), who has an experience of

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

over 3 decades in the sugar industry. Prior to KBSSKL, Mr. Lad was associated with Rajaram Bapu Sahakari Sakhar Karkhana Ltd as director.

Partially integrated scale of operations resulting in de-risking of core sugar business: KBSSKL, with an installed capacity of 5000 TCD and 19.70 MW (as on March 31, 2016) is relatively an average size player in the sugar industry. The partially integrated nature of facility of KBSSKL enables diversification of revenue stream and betters KBSSKL's ability to absorb the fluctuations in the prices of raw material (sugarcane), finished goods and cyclicity, inherent to the sugar industry.

Location advantage with adequate cane availability led by cordial relations with local populace: The partially integrated sugar plant of KBSSKL is located in the sugarcane cultivation area in village Kundal, Taluka Palus, Sangli, Maharashtra. The total agricultural land under command area is about 65,000 hectare of which sugar cultivation land covers area of about 25,000 hectares, translating into availability of nearly 20.0 lakh MT of sugarcane (with an average yield of 80 MT/hectare). The major sugar factories in the vicinity include, Rajarambapu Sahakari SSK Limited (11,400 TCD), Sonhira SSK Limited (2500 TCD) and Udgiri Sugars Limited (2,500 TCD).

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](#)

[CARE's Methodology for Manufacturing Companies](#)

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

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

About the Company

KBSSKL was incorporated in the year 1997 by Late. Mr. Krantiagrani Dr. G.D. Lad (Founder Promoter) to undertake the manufacturing of sugar and related products. The first crushing season of factory was conducted in the year 2003 with an installed capacity of 2,500 tonnes of cane crushed per day (TCD). The crushing capacity was subsequently enhanced in stages, with the capacity as on March 31, 2016 at 5,000 TCD. KBSSKL also commissioned a bagasse fired co-generation unit with an installed capacity of 19.70 mega-watts (MW). Presently the society is spearheaded by Mr. Arun Lad (Chairman), son of Mr. G.D. Bapu Lad and Mr. Vijay S. Patil (Managing Director).

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	316.76	373.31
PBILDT	25.55	28.52
PAT	0.36	2.86
Overall Gearings (times)	2.82	2.67
Interest Coverage (times)	1.93	2.11

A: Audited

Status of non-cooperation with previous CRA: Nil

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-Term Loan	-	-	January 2019	13.99	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* on the basis of best available information

*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-Term Loan	LT	13.99	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1) CARE B+; Stable; ISSUER NOT COOPERATING* (17-Jun-19)	-	1) CARE BB-; Stable; ISSUER NOT COOPERATING* (09-Mar-18) 2) CARE BB-; Stable (05-Apr-17)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not available

Annexure 4 – Level of various instruments rated for the company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term 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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