

Parvati Sweetners and Power Limited

February 25, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	15.00	CARE BB; Stable (Double B; Outlook: Stable)	Reaffirmed
Total facilities	15.00 (Rs. Fifteen crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Parvati Sweetners and Power Limited (PSPL) continues to remain constrained on account of moderate solvency position, working capital intensive nature of operations during seasonal period being seasonal nature of the business and vulnerability of operations to regulatory risk and market volatility. The rating, further, constrained on account of debt funded project undertaken by the company.

The rating, however, continues to derive strength from experienced promoters with continuous growth in Total Operating Income (TOI) in last three financial years ended FY18 (FY refers to the period from April 01 to March 31) and moderate profitability margins. The rating, further, derive strength from comfortable net-worth base owing to successful merger of Dollex Industries Limited (DIL) with PSPL.

The ability of the company to increase its scale of operations while maintaining profitability margins along with timely completion of project undertaken within the envisaged cost and time parameter would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Moderate solvency position

The capital structure of PSPL stood moderate with an overall gearing ratio of 1.27 times as on March 31, 2018, improved from 3.09 times as on March 31, 2017 owing to higher proportionate increase in tangible net worth than in total debt of the company. Net-worth base of the company has improved owing to successful merger of DIL with PSPL. However after adjusting the advances recoverable in cash or in kind amounting to Rs.22.68 crore from net-worth; the overall gearing stood moderate at 2.10 times as on March 31, 2018.

Further, the debt coverage indicators stood moderate with Total debt to GCA of 14.41 times as on March 31, 2018 and interest coverage ratio stood at 2.57 times in FY18.

Working capital intensive nature of operations

Being present in the manufacturing of sugar industry which is a seasonal nature, the business of the company is working capital intensive in nature with elongated working capital cycle at 147 days in FY18, deteriorated from 110 days in FY17 owing to increase in inventory holding period of the company. Due to seasonal nature of the business, the company generally gets advance payment from its dealers and stood at 5-15 days with creditors period of 25-90 days. The liquidity ratios remained moderate with current ratio and quick ratio at 2.10 times and 1.22 times respectively as on March 31, 2018 owing to high inventory holding period. Working capital limit are generally utilized high during the season i.e. from November to March and reduces during off-season.

Project Implementation risk

PSPL is planning to undertake an expansion project to increase its installed capacity by 25,000 metric tonne with an envisaged cost of Rs.35 crore to be funded through term loans and promoter's contribution; however financial closure is yet to be achieved.

Key Rating Strengths

Experienced promoters with change in management

PSPL was initially incorporated by the Chouksey and Khan family. However during the current year, the Khan family is planning to exit from the company and Chouksey family looks after the overall affairs of PSPL. Mr Anupam Chouksey, director, has more than a decade of experience in the sugar industry. He looks after overall affairs of the company and is assisted by Mr Poonam Chouksey who looks after the administration function of the company.

Successful Merger of Dollex Industries Limited (DIL) with PSPL

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

After the approval from National Company Law Tribunal (NCLT), the amalgamation of DIL with PSPL has been accounted for under the amalgamation in the nature of merger as per Accounting Standard-14. As per the scheme, appointed date as approved by NCLT is January 19, 2018 and effective date being February 09, 2018.

Under this scheme, DIL merged into PSPL where the listing of DIL was suspended and PSPL was listed on BSE on May 24, 2018. Further, PSPL allotted 3,68,63,917 equity shares of the face value of Rs.5/- each provided that 1 fully paid up equity shares of Rs.5/- each of PSPL against every 0.97 shares of Rs. 5/- each held in DIL on the record date i.e February 09, 2018. Furthermore, for this purpose during FY18, shares of PSPL which were of face value of Rs.10 each were converted into two shares of Rs.5 each fully paid up resulting in increase in share capital by Rs.16.99 crore.

Continuous growth in Total Operating Income (TOI)

During FY18, TOI witnessed a growth of around 16.98% y-o-y owing to increase in income from sale of cane seeds. During FY18, it has generated 92.43% from sale of sugar and 6.92% from sale of by-products. The company registered a TOI of Rs.43.55 crore with PBILDT and PAT margin of 13.84% and 0.49 in 9MFY19.

Moderate Profitability margins

The profitability margins of PSPL remained moderate marked by PBILDT and PAT margin of 13.90% and 2.43% respectively in FY18 as against 16.00% and 1.74% respectively in FY17 respectively. PBILDT margin has declined in FY18 owing to mainly due to increase in cost of raw-material consumed which offset to an extent by decrease in cost of director's remuneration. Further, Gross Cash Accruals (GCA) of the company has decreased by 7.74% over FY17 and registered moderate GCA of Rs.4.98 crore in FY18

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Rating Methodology-Manufacturing Companies](#)

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

Background of the Company

Indore (Madhya Pradesh) based Parvati Sweetners and Power Private Limited (PSPL) was incorporated in 2011 by Mr. Mehmood Khan and Mrs. Poonam Chouksey along with associate concerns. Subsequently, the constitution of the company was changed to public limited company in January, 2012. PSPL is engaged in the business of manufacturing and refining of sugar. The company sells both sugar along with its byproducts i.e. Molasses, Bagasse and Press Mud. The plant of the company is located at Gwalior with an installed capacity of 25,000 Metric Tonne Per Annum as on March 31, 2018.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	51.10	59.78
PBILDT	8.18	8.31
PAT	0.89	1.45
Overall gearing (times)	3.08	1.26
Interest coverage (times)	3.23	2.57

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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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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	-	-	-	15.00	CARE BB; Stable

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	15.00	CARE BB; Stable	-	1)CARE BB; Stable (22-Mar-18)	1)CARE BB (12-Oct-16)	-

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