

## Parvati Sweetners and Power Limited

March 22, 2018

### Ratings

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

### Detailed Rationale & Key rating Drivers

The rating assigned to the bank facilities of Parvati Sweetners and Power Limited (PSPL) continue to remain constrained on account of its moderate solvency position and working capital intensive nature of operations during seasonal period, project implementation risk, seasonal nature of the industry and vulnerability of operations to regulatory risk and market volatility.

The rating, however, derives strength from the experienced promoters with continuous growth in Total Operating Income (TOI) in last three financial years ended FY17 (FY refers to the period from April 01 to March31) and comfortable profitability margins as well as merger of Dollex Industries Limited(DIL) with PSPL led augmentation of networth base.

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

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### Moderate solvency position

The capital structure of PSPL remained moderate with an overall gearing ratio of 1.77 times as on March 31, 2017, deteriorated owing to higher utilization of working capital bank borrowings.

Total debt to GCA stood at 9.20 times as on March, 2017 with interest coverage ratio remained comfortable at 3.23 times in FY17.

##### Working capital intensive nature of operations

Being present in the manufacturing of sugar industry which is a seasonal nature of operations, the business of the company is working capital intensive in nature with elongated working capital cycle at 109 days in FY17

##### Project Implementation risk

PSPL has undertaken an expansion project with production of methane gas with an envisaged cost of Rs. 18.15 crore to be funded through term loan of Rs. 13.14 crore and balance through promoter's contribution. The project will increase its installed capacity to 75,000 metric tonne per annum.

#### Key Rating Strengths

##### Experienced promoters

Mr. Mahmood Khan, director has more than a decade experience in the sugar industry. He looks after overall affairs of the company and is assisted by Mr Anupam Chouksey looks after the administration function of the company.

##### Continuous growth in Total Operating Income (TOI)

The scale of operations of the company as indicated by TOI has grown at a healthy Compounded Annual Growth Rate (CAGR) of around 39.21% at Rs.51.10 crore in FY17.

##### Moderate Profitability margins

The profitability margins of PSPL remained moderate marked by PBILDT and PAT margin of 16.00% and 1.75% respectively in FY17 as against 15.73% and 1.63% in FY16 respectively

##### Merger with Dollex Industries Limited (DIL)

The approval from National Company Law Tribunal (NCLT) from both Mumbai and Ahmadabad Bench dated December 29, 2017 the merger with DIL will take place from the appointed date i.e April 01, 2015

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

**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 2012 by Mr. Mehmood Khan and Mrs. Poonam Chouksey along with associate concerns. 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. It is a seasonal nature of business; the plant is in operation from November to March and is closed down for rest of the year. The company sells its products directly under the brand name of "Parvati Sweetners" all over Madhya Pradesh, majorly Gwalior.

The plant of the company is located at Gwalior with an installed capacity of 40000 Metric Tonne per Annum as on March 31, 2017.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	48.34	51.10
PBILD	7.60	8.18
PAT	0.79	0.89
Overall gearing (times)	1.36	1.77
Interest coverage (times)	3.17	3.23

A: Audited

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** None

**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](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.

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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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	15.00	CARE BB; Stable	-	1)CARE BB (12-Oct-16)	-	-

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