

Parvati Sweetners and Power Limited

December 12, 2019

Rating

Facilities	Amount(Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BB; Stable and withdrawn
Total	-		

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 continue to remain constrained 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 modest scale of operations and moderate PBILDT margin. The rating, further, derive strength from comfortable net-worth base owing to successful merger of Dollex Industries Limited (DIL) with PSPL.

Hence, CARE has reaffirmed and withdrawn the outstanding rating of 'CARE BB; Stable' [Double B; Outlook: Stable] assigned to the bank facilities of with immediate effect. The above action has been taken at the request of PSPL and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE.

Key Rating Weakness

Moderate solvency position

The capital structure remained moderate with overall gearing of 1.18 times as on March 31, 2019, improved from 1.26 times as on March 31, 2018 owing to schedule repayment of term loan and lower utilization of working capital bank borrowings which is offset to an extent by infusion of unsecured loans during the year. The total debt GCA remained weak at 9.05 times in FY19, improved significantly from 14.41 times in FY18 due to decrease in debt in increase in GCA level. The interest coverage stood comfortable at 3.28 times in FY19.

Working capital intensive nature of operations

Owing to high inventory holding, operating cycle stood elongated at 189 days in FY19 with moderate current ratio of 1.86 times and below unity quick ratio of 0.78 times as on March 31, 2019

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

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.

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

Continuous growth in Total Operating Income (TOI)

During FY19, Total Operating Income (TOI) remained stable and stood modest at Rs.59.75 crore. In H1FY20, it registered a TOI of Rs. 27.69 crore with PAT of Rs.0.12 crore.

Moderate Profitability margins

The PBILDT margin stood moderate at 17.18% in FY19, improved by 329 bps over FY18 owing to decrease in employee cost. However despite increase in PBILDT margin, PAT margin dipped significantly by 234 bps and stood thin at 0.08% owing to high depreciation cost. However, GCA level increased significantly and stood moderate at Rs.7.42 crore in FY19

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of ratings](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[Rating Methodology – Manufacturing Companies](#)

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

About 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. It is a seasonal nature of business; the plant operates during sugar season from November to March and remains shut for rest of the year. The company sells its products directly under the brand name of "Parvati Sweetners" all over Madhya Pradesh, majorly Gwalior.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total Operating Income	59.78	59.75
PBILDT	8.31	10.27
PAT	1.45	0.05
Overall Gearing (times)	1.26	1.18
Interest coverage (times)	2.57	3.28

A: Audited

Any other information: Not Applicable

Rating History (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	-	-	-	0.00	Withdrawn

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BB; Stable (25-Feb-19)	1)CARE BB; Stable (22-Mar-18)	1)CARE BB (12-Oct-16)

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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