APRIL 13, 2016

CARE REVISES THE LT AND REAFFIRMS THE ST RATINGS ASSIGNED TO BANK FACILITIES OF RAVALGAON SUGAR FARMS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	22.83	**CARE BB (Double B)**	Revised from CARE BB+ (Double B Plus)
Short term Bank Facilities	0.50	**CARE A4 (A Four)**	Reaffirmed
Total Facilities	**23.33 (Rupees Twenty Three Crore and Thirty Three Lakh only)**		

Rating Rationale

The revision in the long-term rating assigned to the bank facilities of The Ravalgaon Sugar Farms Limited (Ravalgaon) is mainly on account of operating losses incurred leading to erosion of net worth as well as deterioration of debt protection metrics during FY15 (refers to the period April 1 to March 31).

The ratings further continue to be constrained by the relatively modest scale of operations, working capital intensive nature of operations, inherent industry risk characterized by intense competition in sugar and confectionary industry, raw material fluctuation risk due to dependence on agro-climatic conditions and highly regulated nature of the industry.

The ratings, however, continue to derive strength from experienced and resourceful promoters and management, long and established presence of the company in the industry and portfolio of established and well-known products in the confectionery segment.

The ability of Ravalgaon to successful monetize the sugar inventory, achieve growth in turnover and successful turnaround of operations amidst intense competition along with efficient management of working capital cycle are the key rating sensitivities.

Background

Incorporated in 1933, Ravalgaon is involved in the business of manufacturing of sugar and confectioneries. Under the confectionary division established as a forward integration, the company manufactures candies in the names of Pan Pasand Gold, Mango Mood, Laco, Kokonut, Cherries (fruit flavors), Mints (menthol & ginger oil), Coffee Breaks, Supreme and Choco Cream Toffee. This division contributed ~46% of the total revenue in FY15 (Audited). Ravalgaon's factory, located at Malegaon, Nasik (Maharashtra),has a sugar crushing capacity of 2,000 TCD (tones of crushing per day) and can produce S-30, M-30, and L-30 varieties of white sugar.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

During FY15, Ravalgaon reported total operating income (TOI) of Rs.35.40 crore with a loss of Rs.12.66 crore. Furthermore, during 9MFY16 (refers to the period April 1 to December 31), the company achieved TOI of Rs.14.31 crore (vis-à-vis Rs.31.80 crore during the corresponding period last year) with net profit of Rs.6.07 crore (vis-à-vis net loss of Rs.12.65 crore in the corresponding period last year).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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