

January 08, 2016

CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF SHREE PANDURANG SAHAKARI SAKHAR KARKHANA LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	270.70 <i>(enhanced from 253.08)</i>	CARE BB [Double B]	Reaffirmed
Total Facilities	270.70 (Rupees Two Hundred Seventy crore and Seventy lakh only)		

Rating Rationale

The rating assigned to the bank facilities of Shree Pandurang Sahakari Sakhar Karkhana Limited (SPSKL) continues to remain constrained on account of its highly leveraged capital structure, weak debt protection indicators during FY15 (refers to the period April 1 to March 31), working capital intensive nature of operations coupled with its presence in highly cyclical and seasonal sugar industry. The rating also factors in the decline in the total operating income of the company during FY15 affected by management's strategy of holding on to sugar inventory in the backdrop of weak sugar prices resulting in lower sales and lower operating profit.

The rating derives strength from the long and established track record of the society in the sugar industry, experienced promoters coupled with qualified second tier management, fully integrated business model of the sugar mill and strategic location of the sugar factory in a sufficient cane availability area. The rating also takes cognizance of the increased contribution of the distillery division and co-generation division during FY15 reflecting in bettering of operating margins.

The ability of the company to source adequate quantity of sugar cane at the envisaged prices, increase its scale of operations there by improving its profitability and debt protection metrics and effective management of its working capital requirements are the key rating sensitivities.

Background

SPSKL was incorporated under the Maharashtra Co-Operative Societies Act, 1960 in August 1988, to undertake sugar and sugar-related production by Mr Sudhakar Rao Paricharak (Founder Chairman of SPSKL), former member of legislative assembly (MLA), Pandhapur. In the year 1992, SPSKSL took over Brima Sugars Limited (BSL), a limited company (closely held) with a crushing capacity of 1,250 tonnes of cane crushed per day (TCD). The first crushing season of the sugar factory was conducted in Sugar Season (SS) 1992-93 with an installed capacity of 1,250 TCD.

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

SPSKL gradually expanded its capacity from 1,250 TCD (with co-generation unit of 9 MW) during the year 1998 to its current capacity of 4,500 TCD (with an aggregate co-generation capacity of 19 MW) as on March 31, 2015. Furthermore, the company undertook erection of a distillery unit of 45 kilo liters per day (KLPD) in the year 2011-12, which commenced commercial operations from October 2012 (SS 2012-13).

The fully integrated sugar plant of the company is located in village Shreepur, Taluka Malshiras, Dist. Solapur, Maharashtra. During FY15, the society achieved sugar sales of Rs.232.97 crore on the back of crushing of 10.79 lakh metric tonnes (MT) of sugarcane.

During FY15, SPSKL reported a PAT of Rs.0.20 crore (as against PAT of Rs.0.10 crore in FY14) on a total operating income of Rs.316.16 crore (as against Rs.472.26 crore in FY14).

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

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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