

## The Ravalgaon Sugar Farm Limited

March 27, 2018

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	5.92	<b>CARE B; Stable (Single B; Outlook: Stable)</b>	<b>Revised from CARE B+ (Single B Plus)</b>
Short-term Bank Facilities	0.50	<b>CARE A4 (A four)</b>	<b>Reaffirmed</b>
Total facilities	6.42 (Rupees Six Crore Fourty Two Lakh only)		

*Details of instruments/facilities in Annexure I*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of The Ravalgaon Sugar Farms Limited (Ravalgaon) continue to be constrained by its decline in level of operations along with operating losses, leveraged capital structure and Stressed liquidity position. The ratings are further constrained by Ravalgaon's working capital intensive nature of business and cyclicity, agro-climatic and highly regulated nature of the industry.

The ratings, however, continue to derive strength from the long & established presence with experienced promoters & management having a Portfolio of well-known products.

The ability of Ravalgaon to further increase its scale of operations, expand its reach while improving its profitability and capital structure as well as efficiently managing its working capital requirement is the key rating sensitivity.

### Detailed description of Key rating drivers

#### Key Rating Weaknesses

**Decline in level of operations along with operating losses:** During FY17, it has reported Rs. 12.92 crore of TOI as compare to Rs. 18.59 crore in FY16. As the company has two dimension of revenue viz. Sugar and Confectionery, the revenue has booked from 'Sugar segment' is declined in FY17 as compare to previous year (Rs. 1.27 crore in FY17 vis-à-vis Rs. 5.88 crore in FY16); and from the 'confectionery segment' also the revenue declined at Rs. 12.30 crore (vis-à-vis Rs. 13.71 crore in FY16). The scale has declined due to non-performance of factory as the factory did not run the mill for the sugar season which led to decline in confectionery as well as sugar segments.

**Leveraged capital structure:** RSFL's capital structure has deteriorated in FY17 (on account of negative net worth) at - 3.92x as on March 31, 2017 (vis-à-vis of 12.98x as on March 31, 2016). The net worth stood negative due to net losses into the net worth position resulted erosion in the net worth.

**Stressed liquidity position:** The Company's liquidity position is stressed on account of continued losses incurred. The same has led to company selling off its free-hold assets to meet its fixed cost and debt obligations. Further, the company has stopped producing more sugar and is monetizing its old finished goods inventory. Further comfort can be derived from the fact that Ravalgaon's associate companies have demonstrated financial support for its operations by way of infusion of unsecured ICDs.

**Cyclicity, agro-climatic and highly regulated nature of the industry:** The sugar industry, exposed to agro-climatic risks, is also highly regulated with the government controlling the raw material prices (sugarcane) and the distribution of the output (sugar) by deciding the quantity of levy sugar. The export activities are also checked from time to time by the government. Sugarcane is an agricultural product therefore its availability depends on the area under cultivation, relative attractiveness of the other crops, climatic conditions and sugarcane arrears. This leads to volatile sugarcane prices, affecting the cost of production to a large extent

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

### Key rating Strengths

**Long & established presence with experienced promoters & management:** The management of Ravalgaon is well established and managed by the experienced management team having diversified experience in various industries. The promoter and promoter group have strong support in the management team.

**Portfolio of well-known products:** The product portfolio of Ravalgaon consists of well-known products. It has mainly two segments 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.

**Analytical approach:** Standalone

#### Applicable Criteria:

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

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

[Criteria for Short term ratings](#)

[Rating Methodology – Manufacturing Companies](#)

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

### About the Company

Incorporated in 1933, The Ravalgaon Sugar Farms Limited (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 (confectionery) division contributed ~95% of the total revenue of FY17 vis-à-vis of ~74% of the total revenue in FY16 (Audited; refers to period April 01 to March 31). Ravalgaon's factory, located at Malegaon, Nasik (Maharashtra), has a sugar crushing capacity of 2000 TCD (tones of crushing per day) and can produce S-30, M-30, and L-30 varieties of white sugar

Brief Financials (Rs. crore)	FY16 (Audited)	FY17 (Audited)
Total operating income	18.59	12.92
PBILDT	-5.99	-3.98
PAT	4.92	-7.61
Overall gearing (times)	12.98	-3.92
Interest coverage (times)	-1.56	-1.63

**Status of non-cooperation with previous CRA:** Not Applicable

**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](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.

#### Analyst Contact:

Name: Ruchi Shroff

Tel: 022-67543554

Email: [ruchi.shroff@careratings.com](mailto:ruchi.shroff@careratings.com)

#### About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

#### 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-Term Loan	-	-	Oct 2019	1.38	CARE B; Stable
Fund-based - LT-Cash Credit	-	-	-	4.54	CARE B; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	0.50	CARE A4

#### 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-Term Loan	LT	1.38	CARE B; Stable	1)CARE B+; Stable (02-May-17)	1)CARE BB (13-Apr-16)	1)CARE BB+ (14-Apr-15)	1)CARE BB+ (11-Apr-14)
2.	Fund-based - LT-Cash Credit	LT	4.54	CARE B; Stable	1)CARE B+; Stable (02-May-17)	1)CARE BB (13-Apr-16)	1)CARE BB+ (14-Apr-15)	1)CARE BB+ (11-Apr-14)
3.	Non-fund-based - ST-Bank Guarantees	ST	0.50	CARE A4	1)CARE A4 (02-May-17)	1)CARE A4 (13-Apr-16)	1)CARE A4 (14-Apr-15)	1)CARE A4 (11-Apr-14)

**CONTACT****Head Office Mumbai**

**Ms. Meenal Sikchi**  
 Cell: + 91 98190 09839  
 E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)

**Mr. Ankur Sachdeva**  
 Cell: + 91 98196 98985  
 E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)

**Ms. Rashmi Narvankar**  
 Cell: + 91 99675 70636  
 E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)

**Mr. Saikat Roy**  
 Cell: + 91 98209 98779  
 E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)

**CARE Ratings Limited****(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022  
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)

**AHMEDABAD**

**Mr. Deepak Prajapati**  
 32, Titanium, Prahaladnagar Corporate Road,  
 Satellite, Ahmedabad - 380 015  
 Cell: +91-9099028864  
 Tel: +91-79-4026 5656  
 E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)

**JAIPUR**

**Mr. Nikhil Soni**  
 304, Pashupati Akshat Heights, Plot No. D-91,  
 Madho Singh Road, Near Collectorate Circle,  
 Bani Park, Jaipur - 302 016.  
 Cell: +91 – 95490 33222  
 Tel: +91-141-402 0213 / 14  
 E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)

**BENGALURU**

**Mr. V Pradeep Kumar**  
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
 No. 30, M.G. Road, Bangalore - 560 001.  
 Cell: +91 98407 54521  
 Tel: +91-80-4115 0445, 4165 4529  
 Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**KOLKATA**

**Ms. Priti Agarwal**  
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
 10A, Shakespeare Sarani, Kolkata - 700 071.  
 Cell: +91-98319 67110  
 Tel: +91-33- 4018 1600  
 E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)

**CHANDIGARH**

**Mr. Anand Jha**  
 SCF No. 54-55,  
 First Floor, Phase 11,  
 Sector 65, Mohali - 160062  
 Chandigarh  
 Cell: +91 85111-53511/99251-42264  
 Tel: +91- 0172-490-4000/01  
 Email: [anand.jha@careratings.com](mailto:anand.jha@careratings.com)

**NEW DELHI**

**Ms. Swati Agrawal**  
 13th Floor, E-1 Block, Videocon Tower,  
 Jhandewalan Extension, New Delhi - 110 055.  
 Cell: +91-98117 45677  
 Tel: +91-11-4533 3200  
 E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)

**CHENNAI**

**Mr. V Pradeep Kumar**  
 Unit No. O-509/C, Spencer Plaza, 5th Floor,  
 No. 769, Anna Salai, Chennai - 600 002.  
 Cell: +91 98407 54521  
 Tel: +91-44-2849 7812 / 0811  
 Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**PUNE**

**Mr. Pratim Banerjee**  
 9th Floor, Pride Kumar Senate,  
 Plot No. 970, Bhamburda, Senapati Bapat Road,  
 Shivaji Nagar, Pune - 411 015.  
 Cell: +91-98361 07331  
 Tel: +91-20- 4000 9000  
 E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

**COIMBATORE**

**Mr. V Pradeep Kumar**  
 T-3, 3rd Floor, Manchester Square  
 Puliakulam Road, Coimbatore - 641 037.  
 Tel: +91-422-4332399 / 4502399  
 Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

CIN - L67190MH1993PLC071691

**HYDERABAD**

**Mr. Ramesh Bob**  
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
 Hyderabad - 500 029.  
 Cell : + 91 90520 00521  
 Tel: +91-40-4010 2030  
 E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)