

Venkateshwara Power Project Limited

July 10, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating	Rating Action
Long term Bank Facilities	273.39	CARE BB-; Stable ISSUER NOT COOPERATING* (Double B minus; Outlook: Stable ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE BB; Stable; Issuer not cooperating (Double BB; Outlook: Stable; Issuer not cooperating) on the basis of best available information.
Total	273.39 (Rs. Two hundred seventy three crore and thirty nine Lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 29, 2019, placed the rating of bank facilities of Venkateshwara Power Project Limited (VPPL) under the 'Issuer Non-Cooperating' category as it had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. VPPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and letter/emails dated May 12, 2020, May 22, 2020 and July 01 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information-which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The revision in rating of bank facilities of Venkateshwara Power Projects Limited is on account of absence of critical information on financial and operational performance of company and its future capex details. CARE is unable to assess the company's ability to service the debt obligations and hence the revision in rating.

Detailed description of the key rating drivers

At the time of last rating on March 29, 2019 the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies and feedback from the lender):

Key Rating Weaknesses

Adverse capital structure

The company's financial risk profile is marked by highly leveraged capital structure and weak debt coverage indicators with substantially high levels of debt. The overall gearing of the company remained high and witnessed deterioration from 4.43x as on Mar'18 to 4.97x as on Mar'19.

Working capital intensive nature of operations

High levels of inventory holding (due to seasonality associated with sugarcane), coupled with low credit on sugarcane purchase, makes the operations of the company working capital intensive. VPPL has an inventory holding period of 227 days as on Mar'19 (Mar'18: 177 days). The company's liquidity position remained tight with current ratio below unity.

Cyclical and regulated nature of the industry

Cyclical nature of the sugar industry significantly impacts the operating performance and cash flow generation of the sugar companies. Both the raw material prices and distribution of end product (sugar) are regulated by the government. In addition to this, sale and distribution of by-products (molasses and power) also regulated at different levels in different States. Sugar industry is also impacted by vagaries of monsoon and prevailing agro climatic condition. Integrated players are in a better position to counter cyclicity of the sugar business.

Key rating strengths

Long experience of the promoters in running sugar and other companies

Mr. Mahadevrao Mahadik, is the founder of the Mahadik business group, which have forayed into different business activities like dairy business, logistics, LPG and Auto engineering, construction and real estate. His son, Mr. Swaroop Mahadevrao

Mahadik, is the Chairman and Managing Director of VPPL. Mr. Swaroop is an engineering graduate and has more than a decade experience in managing the business. Mr. Rajan Shinde, the co-founder and Executive director, has extensive experience of more than two decades in sugar business.

Presence in the high recovery and sufficient cane area

VPPL's unit located at Bedkihal, Chikodi Taluka, Belgaum District is a high recovery zone. Two tributaries of river Krishna, Doodhganga and Vedganga flows through Chikodi. The water is distributed to the agriculture lands in the region facilitating adequate irrigation. The consistent supply of water, results in better quality sugarcane with higher recovery rate ranging from 12.15% to 12.80% in the past.

Analytical approach: Standalone

Applicable Criteria:

[Policy in respect of Non-cooperation by Issuer](#)

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

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

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

About the Company

Venkateshwara Power Projects Limited (VPPL) is a Public Limited Company (closely held) incorporated on December 20, 1994. VPPL, is part of the Mahadik Business Group, which has ventures in dairy business, logistics, LPG and Auto engineering, construction and real estate.

VPPL is a sugar factory with Cogeneration, has an installed capacity of 8500 tonne crushed per day (TCD) sugar crushing plant, and 23 MW of co-generation unit. The company has two facilities, one in Bedkihal, Karnataka of 7250 TCD capacity and the other in Babadeo, Nagpur of 1250 TCD capacity (acquired in 2014-15). The day to day affairs of the company are looked after by Mr. Swaroop Mahadik, Chairman & Managing Director and Mr. Rajan Shinde, the co-founder and Executive Director of the company.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	575.60	507.87
PBILDT	35.51	12.25
PAT	4.79	0.96
Overall gearing (times)	4.43	4.97
Interest coverage (times)	1.29	0.33

A: Audited

Status of non-cooperation with previous CRA: CRISIL has conducted the review on the basis of best available information and has classified the Venkateshwara Power Projects Limited as 'NOT COOPERATING' vide its press release dated December 17, 2018.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2024	103.39	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	-	170.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable; ISSUER NOT COOPERATING* on the basis of best available information

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	103.39	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (29-Mar-19) 2)CARE BB; Stable (02-Apr-18)	1)CARE BB; Stable (29-Jan-18) 2)CARE BB; Stable (17-Jan-18)
2.	Fund-based - LT-Cash Credit	LT	170.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (29-Mar-19) 2)CARE BB; Stable (02-Apr-18)	1)CARE BB; Stable (29-Jan-18)

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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About CARE Ratings:

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