

## Rating Rationale

### Brickwork Ratings has Reaffirmed the Long Term rating of 'BWR B' for Bank Loan Facilities of Aakriti Sugar Mills Private Limited (Erstwhile Ma Bhagwati Sugar Mill Limited)

Brickwork Ratings has *reaffirmed* and assigned the following **Rating<sup>1</sup>** for the Bank Loan Facilities of Aakriti Sugar Mills Pvt. Ltd. (**ASMPL or the 'Company'**).

Facility	Previous Amt. (₹ Cr)	Present Amt. (₹ Cr)	Tenure	Rating History	Rating
<b>Fund Based</b>					
Cash Credit	6.00	<b>6.00</b>	<b>Long Term</b>	BWR B (Pronounced as BWR B)  (Outlook: Stable)	<b>BWR B</b> (Pronounced as BWR B)  <b>(Outlook: Stable)</b>
Sub Limit: CC (Advances to farmers)	(3.00)	(3.00)			
Term Loans *	9.49	<b>7.50</b>			
<b>Total</b>	15.49	<b>13.50</b>	<b>INR Thirteen Crores and Fifty Lakhs.</b>		

\* Term loan limits are amounts outstanding as on December 2015.

The rating has, inter alia, factored the Company's experienced and qualified management, growth in the scale of operations, implicit support from the group by way of unsecured loans and comfortable gearing ratio considering unsecured loans as quasi equity. The rating is however constrained by modest size of operations, weak debt service coverage indicators, stretched liquidity position, inherent cyclical nature of sugar business and exposure to regulatory and pricing concerns.

BWR has essentially relied upon audited financial results of ASMPL up to FY15, projected financials up to FY17, publicly available information and information provided by the management.

#### Background:

Aakriti Sugar Mills Pvt. Ltd. (ASMPL) is a Closely-held Public Company incorporated in December, 2006 by the Patel Group for setting up a sugar plant at Baktara in Sehore District (MP). Subsequently, the Company was taken over by the AG8 group led by Mr Hemant Soni in 2008 and the sugar plant started commercial operations in October 2009.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

As the Company was unable to achieve the anticipated success in increasing sugarcane production area in Baktara, the plant was shifted to the sugarcane area at Tumda in Narsinghpur District (MP), which is well known for the highest sugarcane production in MP. The unit became successfully operational in the new area w.e.f. January 1, 2014. It has a crushing capacity of 1650 TCD. ASMPL has a subsidiary named Ma Bhagwati Power Ltd which presently has no operations.

### Financial Performance:

ASMPL's net revenue from operations has improved from ₹ 26.73 Crs in FY14 to ₹ 40.62 Crs in FY15. The Company reported a book loss of ₹ 2.62 Crs during FY15 because of change in method of depreciation as per guidance of Company Act- 2013 . The Company's net worth stood at ₹ 13.64 Crs in FY15 and Overall Debt: Equity Ratio considering unsecured loans as quasi equity was around 0.99 times as of March 31, 2015. Liquidity is stretched with a current ratio of 1.04 times for FY15.

### Rating Outlook:

ASMPL's performance over the next year is expected to be stable. Going forward, the Company's ability to scale up operations with improvement in profitability, ability to meet the company's debt obligation in timely manner and prudent management of its working capital will be the key rating sensitivities.

<b>Analyst Contact</b>	<b>Relationship Contact</b>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone</b>	<b>Media Contact</b>
<b>1-860-425-2742</b>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>

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