



Rating Rationale

Raj Rajeshwari Sugar Pvt Ltd

19 Nov 2021

Brickwork Ratings downgrades the ratings to BWR D for the Bank Loan Facilities of Rs.15.39 Crores of Raj Rajeshwari Sugar Pvt Ltd.

Particulars

Facilities**	Amount (Rs.Crs.)		Tenure	Rating#	
	Previous	Present		Previous (19 Aug 2020)	Present
Fund Based	15.39	15.39	Long Term	BWR B+/Stable (Downgraded) ISSUER NOT COOPERATING*	BWR D Downgrade
Grand Total	15.39	15.39	(Rupees Fifteen crore and thirty nine Lakhs only)		

#Please refer to BWR website www.brickworkratings.com for definition of the ratings

**Details of Bank Loan facilities,consolidation or instruments are provided in Annexure

* Issuer did not cooperate, based on best available information

RATING ACTION / OUTLOOK

BWR has downgraded the ratings of Raj Rajeshwari Sugar Private Limited(“RRSPL” or “The Company”) bank loan facilities to BWR D . The downgrade is on account of delays in repayment of term loans and the classification of the account as SMA 1 as confirmed by the lender on November 18, 2021.

BWR has essentially relied upon the audited financials of the Company upto FY20 , projections upto FY23, publicly available information and information/clarifications provided by the management.

Going forward the ability of the Company to timely service its debt obligations for a continuous period of at least 90 days, improve its overall credit risk profile and efficiently manage its working capital would be the key rating sensitivities.

Key Rating Drivers

Credit Strengths:-

- **Company Existence & Experience Promoters:** The company has been in existence for more than two decades in the same line of business.



Credit Weakness:-

- **Fluctuating Scale of operations along with Moderately low profitability margins:** Fluctuating TOI for the past three years ended FY21(Prov.) and the same stood at Rs.45.87 crore (vis-a-vis Rs.28.11 crore in FY20 and Rs.41.96 crore in FY19). During FY20 the same declined significantly on back of COVID -19 pandemic, although during FY21(Prov.) it has improved and stood inline on back on stabilized demand in the market.
- **Moderately leveraged capital structure and debt coverage indicators:** The capital structure of the company stood moderately leveraged on back of high levels of debt into the business although the same has improved and stood at 2.75 times as on March 31, 2021 (vis-a-vis 4.33 times as on March 31, 2020). ISCR has also improved and stood moderate at 3.12 times in FY21 (Prov.) as against 1.56 times in FY20 owing to improvement in PBILDT margin during the year.DSCR remained weak at 1.19 times on back of low level profitability.
- **Working capital intensive nature of operations:** The operations of RRSPL are working capital intensive in nature due to funds blocked in inventory. As a result of the same, GCA days stood higher at 308 days in FY21 (vis-à-vis 423 days in FY20) due to high inventory holding period as on balance sheet date due seasonal business i.e. from (November to march).
- **Delays in servicing the debt obligations:** There have been instances of the delays in repayment of debt obligations.
- **Susceptibility to volatility in raw material prices and Climatic risk :** The profitability of RSPL is exposed to fluctuations in raw material prices, which is an agricultural commodity. Its prices are volatile in nature and linked to production in the domestic market. The farmers still rely largely on monsoon rains for their crops and any change in normal course of rains can affect the production of sugarcane and thereby affect the supply of sugarcane to the mills and the production of sugar also varies from year to year.

Liquidity Profile: Stretched

Liquidity remained stretched as the company's cash and bank balance stood at Rs.0.15 crore as on March 2021.The current ratio stood at 1.10x times. over utilisation of its working capital limits for the past six months ended October 2021. Working capital cycle has stretched due to elongated due to high holding period of inventory as on balance sheet date.

Analytical approach: Standalone

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale)



RATING SENSITIVITIES

Positive: The ratings may be upgraded if the company is regular in servicing its debt obligations for at least a period of over 90 days and there is sustained improvement in the financial and liquidity profile of the company.

About the Company

Raj Rajeshwari Sugar Private Limited (RRSPL) was established in 2013 by Mr. Om Prakash Patel and Mr. Kunwar Vikrant Singh. The company is engaged in manufacturing sugar. The company has set up its integrated sugar mill at Village Mohpani, Madhya Pradesh with an installed capacity of 1600. The company mainly caters to various wholesalers in Madhya Pradesh. The raw material i.e. sugarcane is procured from local farmers.

Key Financial Indicator:

Key Parameters	Units	2020	2019
Result Type		Audited	Audited
Operating Revenue	₹ Cr	28.11	41.96
EBITDA	₹ Cr	6.57	5.89
PAT	₹ Cr	1.07	0.93
Tangible Net worth	₹ Cr	6.82	5.75
Total Debt/Tangible Net worth	Times	2.50	1.75
Current Ratio	Times	1.25	0.83

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: Nil

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: Nil



RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

S.No	Instrument /Facility	Current Rating			Rating History		
		Tenure	Amount (₹ Crs)	Rating	(Previous March 27, 2020)	(March 2019)	(2018)
	Fund Based Cash Credit	Long Term	6.00	BWR D Downgrade	BWR B+ Stable (Downgraded) Issuer Not Cooperating*	BWR BB Stable (Upgraded)	-
	Term Loan I		4.75				
	Term Loan II		1.53				
	GECL		3.11				
	Total		15.39	INR Fifteen Crores and Thirty Nine Lakhs Only			

The rating was initially assigned BWR B+ Stable in December 2017.

COMPLEXITY LEVELS OF THE INSTRUMENTS - Simple

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com / download / ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf). Investors queries can be sent to info@brickworkratings.com.

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Default Recognition and Post Default Curing Periodatios](#)

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ANNEXURE I

Raj Rajeshwari Sugar Pvt Ltd Details of Bank Facilities rated by BWR

Sl.No	Name of the Banker/Lender	Type of facilities	Long Term (Rs. in Cr)	Short Term (Rs. in Cr)	Total (Rs. in Cr)
1.	Canara Bank	Cash Credit	6.00	-	6.00
2.		Term Loan I	4.75	-	4.75
3.		Term Loan II	1.53	-	1.53
4.		GECL	3.11	-	3.11
Total					15.39

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