

## Rating Rationale

**Brickwork Ratings assigns 'BWR B' for the Long Term Bank Loan Facilities aggregating to ₹ 15.49 Cr of Ma Bhagwati Sugar Mill Limited.**

Brickwork Ratings has assigned following **Rating<sup>1</sup>** for the Bank Loan Facilities of Ma Bhagwati Sugar Mill Limited (*MBSML or the 'Company'*).

| Facility                 | Limit<br>(₹ Cr) | Tenure  | Rating   |
|--------------------------|-----------------|---|--|
| <b>Fund Based</b>        |                 |   |  |
| Cash Credit              | 6.00            | Long Term                                       | <b>BWR B</b><br>(Pronounced as BWR B)<br><br><b>(Outlook : Stable)</b> |
| Sub Limit:               | (3.00)          |   |  |
| CC (Advances to farmers) |                 |   |  |
| Term Loans *             | 9.49            |   |  |
| <b>Total</b>             | <b>15.49</b>    | <b>INR Fifteen Crores and Forty Nine Lakhs.</b> |  |

\* Term loan limits are amounts outstanding as on September 30, 2014.

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 MBSML up to FY14 (March ending), projected financials for FY15 & FY16, publicly available information and information provided by the management.

### Background:

Ma Bhagwati Sugar Mill Ltd (MBSML) 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. 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. The Company is presently utilising 79% of the installed capacity. MBSML has a subsidiary named Ma Bhagwati Power Ltd which presently has no operations. Effective from April 1, 2013, a group company,

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

Aakriti Sugar Mills Pvt Ltd (Transferor Company), amalgamated with MBSML (Transferee Company). Aakriti Sugar Mills Pvt Ltd did not have any operations.

### Financial Performance:

MBSML's net revenue from operations has improved from ₹ 22.64 Crs in FY13 to ₹ 26.73 Crs in FY14. The Company reported a positive PAT of ₹ 0.05 Crs during FY14 compared to the negative PAT of ₹1.08 Crs in FY13. The Company's net worth also improved slightly to ₹ 16.27 Crs in FY14 and Overall Debt: Equity Ratio considering unsecured loans as quasi equity was around 0.98 times as of March 31, 2014. Liquidity is stretched with a current ratio of 0.89 times for FY14.

### Rating Outlook:

MBMSL'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 and prudent management of its working capital will be the key rating sensitivities.

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