

**S M Shivajirao Narayanrao Nagawade Sahakari Sakhar Karkhana Ltd.**

**Brickwork Ratings revises the ratings for the Bank Loan Facilities of Rs. 30.00 Crs. of S M Shivajirao Narayanrao Nagawade Sahakari Sakhar Karkhana Ltd. (SMNSSKL or the ‘Society’).**

**Particulars:**

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (July, 2019)	Present
<b>Fund based</b>	<b>28.45</b>	<b>30.00</b>	<b>Long Term</b>	<b>BWR BBB- Outlook: Stable Issuer Not Cooperating*</b>	<b>BWR BB Outlook: Stable (Downgraded) Removal from INC</b>
<b>Total</b>	<b>28.45</b>	<b>30.00</b>	<b>INR Thirty Crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank Loan facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

**Rating: Downgraded and removed from ‘Issuer Not Cooperating’ category**

**RATING ACTION / OUTLOOK**

BWR has relied upon S M Shivajirao Narayanrao Nagawade Sahakari Sakhar Karkhana Ltd. (SMNSSKL or the ‘Society’)’s audited financial results up to FY19, provisional financials of FY20, projected financials up to FY22 and the information/clarifications provided by the Company/Society.

The rating downgrade reflects the deteriorating financial performance of the Society in FY 20 vis-à-vis FY19, stretched liquidity position, deteriorating coverage indicators & limited scale of operations. The rating is also constrained by the cyclical nature of the sugar industry & working capital intensive nature of its operations.



The rating continues to draw strength from the promoters long standing experience with established track record in the sugar industry, diversified and additional revenue profile from the by-products of its sugar production; good network with farmers and the proximity of the plant to the sugarcane cultivated areas and the favourable industry outlook in the near term.

Going forward, increasing the scale of operations with an improvement in the profitability of the society along with reduction in its inventory levels and improving its overall credit profile shall remain the key rating sensitivities.

BWR believes the business risk profile of the society will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

## **KEY RATING DRIVERS**

### **● Credit Strengths:**

- The experienced management and long operational track record of operations (>50 years) are expected to continue to drive the growth in the medium term.
- The society has locational advantages being situated in the sugar-cane belt of Maharashtra along with the promoters owning around 500 acres of cultivable land which is used to grow sugarcane resulting in the captive supply of raw material.
- Moreover, the society also has a close to around 30,000 members, consisting majorly of farmers which leads to assured availability of raw materials.
- The society has 5000 Tonnes Crushing per Day (TCD) capacity with attached 30 Kilo Litre Per Day(KLPD) distillery located in the same premises along with a fertilizer unit and a diesel pump unit. This provides alternate revenues and some cushion to profitability against cyclicity in the sugar business.
- The society has modest capital structure and healthy coverage metrics reflecting a better financial risk profile.
- The industry is also witnessing a strong demand cycle and better pricing reflecting on better profitability in near future.

- **Credit Risks:**

- Sugar being an essential commodity, the government regulates sale of sugar, cane pricing and trade in sugar and this may overall impact the performance of the society.
- The society faces competition from various players in the industry which may end up affecting the operating performance & profitability.
- The society has working capital intensive nature of operations which may impact the short-term liquidity

## **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

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

## **RATING SENSITIVITIES**

**Positive:** Sustained improvement of revenue, profitability, debt protection metrics and liquidity.

**Negative:** Decline in revenue or profitability, debt-funded capital expenditure (capex) which would adversely affect financial risk profile.

## **LIQUIDITY INDICATORS**

The liquidity position of the society is stretched marked by low cash accruals of Rs. 2.51 Crores in FY120. There are term debt repayment obligations in the near future and the society is meeting its repayment obligation through internal accruals.

## **Society's PROFILE**

M/s Sahakar Maharshi Shivajirao Narayanrao Nagawade SSK Ltd was registered as a co-operative society on August 3, 1965. M/s Sahakar Maharshi Shivajirao Narayanrao Nagawade SSK Ltd is located at P.O Shrigonda in Ahmednagar district, Maharashtra. The society is located in the sugar belt region of Maharashtra & the raw materials are procured from farmers who are the members of the society. Additionally, the promoters own around 500 acres of cultivable land which is used to mainly grow sugarcane. The society is an agro based industrial unit. The sugar unit has 5000 TCD capacity with attached a 30 KLPD distillery plant. Total factory plot area is around 82.50 acres. Apart from the sale from sugar society generates revenue from other three divisions as well- Distillery Unit, Fertilizer Division and Diesel Pump.

### KEY FINANCIAL INDICATORS

The society has earned a total operating income and PAT of Rs 194.20 cr & Rs 0.51 cr in FY19 vis-a-vis Rs 140.79 cr & a PAT of Rs 1.36 cr in FY18.

Key Financial Indicators	Units	FY19	2018
Result Type		Audited	Audited
Total Operating Income	₹ Cr	194.20	140.79
EBITDA	₹ Cr	(0.34)	1.76
PAT	₹ Cr	0.51	1.36
Tangible Net worth	₹ Cr	131.47	124.84
Total Debt/Tangible Net worth	Times	1.88	1.11
Current Ratio	Times	1.11	1.27

### NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY: NA

### RATING HISTORY FOR THE PREVIOUS THREE YEARS (INCLUDING SUSPENDED & WITHDRAWN RATING):

S.No	Instrument /Facility	Current Rating (2020)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	FY19	FY18	FY17
1.	Fund Based	Long Term	30.00	BWR BB Stable Removal of INC	BWR BBB- Stable INC	BWR BBB- Stable	-
	<b>Total</b>		<b>30.00</b>	<b>₹ Forty Five Crores Only</b>			

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**

Analytical Contacts	Investor Contacts
<p><b>Vidya Shankar</b> Senior Director - Ratings B : +91 80 4040 9940 <a href="mailto:vidyashankar@brickworkratings.com">vidyashankar@brickworkratings.com</a></p> <p><b>Sushant Govekar</b> Ratings Analyst D : +91 22 6745 6629 B : +91 22 2831 1426, +91 22 2831 1439 <a href="mailto:sushant.g@brickworkratings.com">sushant.g@brickworkratings.com</a></p>	<p><b>Liena Thakur</b> Assistant Vice President - Corporate Communications +91 84339 94686 <a href="mailto:liena.t@brickworkratings.com">liena.t@brickworkratings.com</a></p>
1-860-425-2742	

## ANNEXURE I

### Capricorn Logistics Pvt Ltd.

#### Details of Bank Loan Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
1.	Union Bank of India	Cash Credit	30.00	-	30.00
<b>Total Forty Five Crores Only</b>					<b>30.00</b>



**For print and digital media** The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

**About Brickwork Ratings :** Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

**DISCLAIMER** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.