



Press Release

Jai Hind Sugar Private Limited [JHSPL]

May 31, 2021

Ratings

S. No.	Instrument/ Facility	Amount (INR Crore)	Current Ratings	Rating Action
1.	Long Term Fund Based Facilities- Term Loan	200.72 (Reduced from 219.20)	IVR BB+; Stable Outlook (IVR Double B Plus stable outlook)	Revised
2.	Long Term Fund Based Facilities- Cash Credit	23.48 (Increased from 5.00)	IVR BB+; Stable Outlook (IVR Double B Plus stable outlook)	Revised
	Total	224.20		

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the ratings takes into account nonachievement of expected performance in FY20 and delay in commencement of ethanol plant due to ongoing Covid-19 Pandemic.

The ratings continue to derive strength from the Experienced Promoters and funding Support, Healthy Scale of operation, Incremental benefits from integrated nature of operations after completion of ongoing capex, Power Purchase Agreement providing long term revenue visibility. The rating however is constrained by Moderate Debt Protection Metrics, Elongated cash conversion cycle, Risk related to Argo climatic factors & Government regulations.

Key Rating Sensitivities:

Upward Rating Factor

- Increase in scale of operation from commencement of ethanol Plant
- Sustained improvement in Debt protection metrics



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Downward Rating Factor

- Decline in profitability due to any company or industry related factors leading to deterioration in debt protection metrics

Key Rating Drivers with detailed description

Experienced Promoters and funding Support

Mr. Bhaskar Mane and his Father Bhaskar Sidram Mane who are the promoter of company has collective experience of more than 10 years of experience in sugar industry and has established a healthy relationship with local farmers. The Company has a resourceful promoter, and it is likely to benefit from the funding support of its promoters over the medium term. JHSPL's promoters has extended unsecured loans of INR68.29Crore as on as on 31st March 2020 which has been considered as a quasi-equity.

Healthy Scale of operation

JHSPL'S operating income has been increasing at a CAGR of 37.44% from FY18 to FY20. It has total crushing capacity of crushing 4500 tonne of cane per day and a co-gen plant of 18 megawatt (MW) of power.

Incremental benefits from integrated nature of operations after completion of ongoing capex

JHSPL's operations are semi-integrated in nature. There is an existence of forward integration in form of power co-generation capacity of 18 Megawatt (MW) and JHSPL is setting up an Ethanol plant of 60 kilo litre per day (KLPD) which will be completed by May 2021 . The integration will lead to better absorption of fixed cost.

Power Purchase Agreement providing long term revenue visibility

JHSPL has signed a long-term Power Purchase Agreement (PPA) with Maharashtra State Electricity Distribution Co. Ltd (MSEDCL) for a period of 13 years at the rate of Rs. 6.89 per unit. This power purchase agreement provides the company with assured long-term revenue visibility.



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Key Rating Weaknesses

Moderate Debt Protection Metrics

JHSPL has taken loans for setting up of an Ethanol Plant in Phase II which is expected to commence operation by May 2021. The new plant cost has impacted its debt parameter. Interest coverage ratio stood at 1.06x in FY20 as compared to 0.98x in FY19, and TOL/TNW stood at 3.84x in FY20. Infomerics expects debt protection metrics to improve substantially from FY22 due to incremental benefits arising out of on-going capex.

Elongated cash conversion cycle

The cash conversion cycle of JHSPL is high at 315 days in 2020 due to high inventory days of 362 days which is common in sugar industry as company has to maintain high level of inventory during the crushing season.

Risk related to Argo climatic factors & Government regulations

Agro Climatic factors Sugarcane is the key input into the sugar business. Sugarcane is a Kharif crop, production of which depends on monsoons. Any adversity on the timely and adequacy of rainfall, given highly uneven pattern of rainfall observed in the last few years, would drastically affect the availability and price of Sugarcane thereby affecting profitability of the business.

Sugar industry is exposed to risks related to Government regulations. This makes its operating profitability susceptible to any policy measure announced by the Government to support sugarcane producers and to keep the sugar prices in check. Vulnerability in business due to Government regulations is likely to continue over the medium term. The industry is highly regulated with inability in passing increased costs to buyers and lack of control over input prices.

Analytical Approach & Applicable Criteria:

Standalone Approach

Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)



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Liquidity: Stretched

The liquidity profile of the company is stretched marked by the average utilization of around 92.96% during the 12 months ended March 31, 2021. The projected cash accruals are also tightly matching with the upcoming repayment obligation. The company has a Current Ratio of 1.01x as of March 31, 2020. Going forward, the liquidity profile of JHSPL is expected to improve due to incremental benefits arising out of new co-gen plant & ethanol plant leading to higher EBITDA margin. The cash & cash equivalent was INR35.42 Crore as on FY20 (including restricted cash of around INR3.15 CR)

About the Company

Incorporated in 2006, Jai Hind Sugar Private Limited (JHSPL) is promoted by Mr Bhaskar Sidram Mane and his son Mr. Ganesh Mane. JHSPL manufactures sugar at its plant located in Solapur, Maharashtra, which has a total cane crushing capacity of 4,500 tonnes per day. It also has a co-gen power capacity of 18 MW.

Financials: (Standalone)

(INR Crore)

For the year ended/ As On*	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	232.08	218.83
EBITDA	33.88	34.46
PAT	2.52	1.01
Total Debt	274.26	331.71
Tangible Net-worth	52.88	54.89
EBITDA Margin (%)	14.60	15.75
PAT Margin (%)	0.98	0.45
Overall Gearing Ratio (x)	2.43	2.69

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:



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BrickworkRatings vide its press release dated March 24, 2020 has migrated the rating under Issuer Not Cooperating status on account of non-submission of relevant information.

CRISIL Ratings vide its press release dated May 13, 2020 has continued to categorise the rating under Issuer Not Cooperating status on account of non-submission of relevant information.

India Ratings & research vide its press release dated October 07, 2020 has continued to categorise the rating under Issuer Not Cooperating status on account of non-submission of relevant information.

Any other information: N.A

Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount Outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20 (January 31, 2020)	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Facility – Term Loan	Long Term	200.72 (Reduced from 219.20)	IVR BB+: Stable Outlook	--	IVR BBB/- Positive Outlook	--
2	Fund Based Facility – Cash Credit	Long Term	23.48 (Increased from 5.00)	IVR BB+: Stable Outlook	--	IVR BBB/- Positive Outlook	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:



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Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Fund Based Facility– Term Loan	200.72	NA	NA	March-2035	IVR BB+; Stable Outlook
Long Term Fund Based Facility – Cash credit	23.48	NA	NA	--	IVR BB+; Stable Outlook

Annexure 2: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/Lender-JHSPL-31-05-21.pdf>