



Press Release

Mahakaushal Sugar and Power Industries Limited

September 21, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	76.42	IVR BBB-/ Stable Outlook [IVR Triple B Minus with Stable Outlook]	Assigned	Simple
Total	76.42 (Rupees Seventy-Six crore and Forty Two lakhs Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Mahakaushal Sugar and Power Industries Limited (MSPIL) derives strength from its strong business profile driven by experienced promoter with long track record of operation, improvement in business performance in FY23. Further the debt protection metrics is expected to remain strong in absence of capex. However, these rating strengths remain partially offset by working capital-intensive nature of its operation. Further, the ratings also consider the cyclical nature of sugar business along with the vulnerability of profitability to Agro-climatic and regulatory risks.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in scale of operations, while maintaining margins as well as credit profile at the current levels

Downward Factors

- Any decline in profitability and/or any unplanned debt funded capex result in deterioration of debt protection metrics and liquidity position of the company.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of the promoters and Integrated operations with presence of cogeneration unit**

The promoters bring over twenty years of expertise in the sugar industry, coupled with robust connections to customers and cane producers within a 15-kilometer radius. They have established affiliations with over 5000 farmers. In the fiscal year 2021-2022, the company augmented its capacity from 4000 TCD to 7000 TCD, a move that contributed to the company's revenue growth in fiscal year 2023. Additionally, the company possesses a cogeneration unit with a capacity of 24.8 MW.

- **Comfortable financial risk profile**

The operating revenue of MSPIL has improved on a y-o-y basis to Rs.255.57 crore at the end of FY23 registering growth of 52.16% over FY22. EBITDA as well as net profit margins have improved during FY22 and FY23 over FY21 due to better sugar recovery as well as better sugar realizations. EBITDA margins improved and around 17% during FY23 and FY22 as compared to 12.11% in FY21; while net profit margins improved to 5.20% in FY23 and 4.85% in FY22; as compared to 4.71% in FY21 with improvement in operating profit. The net cash accruals for MSPIL increased to Rs.29.92 crore in FY23 from Rs.17.54 crore. in FY22 due to increase in net profit. The overall gearing of the company, as indicated by the Total Debt/TNW improved on a y-o-y basis to 1.44x in FY23 (FY22: 2.04x) mainly due to a decrease in total debt as compared to tangible net worth. The ISCR and DSCR for the company also improved to 4.16x and 3.41x, respectively, in FY23 from 3.04x and 1.40x, respectively, in FY22.

- **Location advantage**

The company benefits from a strategically advantageous location in Agariya, Madhya Pradesh, known for its abundant cane yield and excellent sugar recovery rate. Over the last three years, the company has consistently achieved a recovery rate between 10% and 10.5%.



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Key Rating Weaknesses

- **Susceptibility to regulatory changes in the sugar industry**

The sugar industry is subject to government oversight, with raw material prices set through State Advised Prices (SAP) and Fair & Remunerative Prices (FRP). The government also maintains control over domestic demand and supply by imposing restrictions on imports and exports. Moreover, fluctuations in the prices of sugar products introduce revenue volatility for the Company.

- **Large working capital requirement during the peak season**

Operations are highly working capital intensive, due to large inventory, and seasonal nature of the sugar industry. It has resulted in high bank limit utilization during peak season.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of Rating Outlook | Infomerics Ratings](#)

Liquidity – Adequate

MSPIL is expected to maintain a sufficient liquidity profile, as its projected cash accrual for FY24-FY26 is estimated to be around Rs. 43.30-Rs. 56.95 crore, which should comfortably cover its debt repayments ranging from Rs. 14.75 -Rs. 4.79 crore. Over the past 12 months ending in August 2023, MSPIL has effectively utilized its working capital, with an average utilization of approximately 80%, providing a satisfactory liquidity buffer. Current ratio is at 1.54x as of March 31, 2023 and the company has a Cash and Cash equivalents at Rs. 0.53 crores and lien-free fixed deposits of Rs. 1.71 crore as of August 31, 2023.



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About the Company

MSPIL was incorporated as Pithera Sugar Mills Pvt Ltd in 2005. It was reconstituted as a public limited company in September 2005 and subsequently renamed as MSPIL. The company manufactures sugar, and has a plant at Bachai (Madhya Pradesh), with installed capacity of 7000 tons crushing per day (TCD).

Financials (Standalone)*:

(Rs. Crore)

For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Provisional)
Total Operating Income	167.95	255.57
EBITDA	28.79	43.76
PAT	8.14	13.38
Total Debt	136.48	115.69
Tangible Net worth	66.88	80.26
EBITDA Margin (%)	17.14	17.12
PAT Margin (%)	4.85	5.20
Overall Gearing Ratio (times)	2.04	1.44

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA:

CRISIL Ratings vide its press release dated 07th June 2023 has migrated the case under Issuer Not Co-operating category.

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2023-24)		Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
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1.	Fund Based – Term Loan	Long Term	0.48	IVR BBB- / Stable	–	–	–
2.	Fund Based – Term Loan	Long Term	21.57	IVR BBB- / Stable	–	–	–
3.	Fund Based – GECL	Long Term	6.15	IVR BBB- / Stable	–	–	–



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4.	Fund Based – GECL	Long Term	13.72	IVR BBB- / Stable	–	–	–
5.	Fund Based – Cash credit	Long Term	34.50	IVR BBB- / Stable	–	–	–

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund Based – Term Loan	–	–	December-2023	0.48	IVR BBB- / Stable
Fund Based – Term Loan	–	–	March-2026	21.57	IVR BBB- / Stable
Fund Based – GECL	–	–	December-2025	6.15	IVR BBB- / Stable
Fund Based – GECL	–	–	May-2027	13.72	IVR BBB- / Stable
Fund Based – Cash credit	–	–	–	34.50	IVR BBB- / Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Mahakaushal-sep23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable



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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.

