



Press Release

Mahakaushal Sugar and Power Industries Limited (MSPIL)

November 4, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Term Loan	25.09	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facilities – Term Loan	164.00	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	--	Assigned	Simple
Long Term Bank Facilities – Cash Credit	34.50	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facilities – WHR	30.00	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	--	Assigned	Simple
Total	253.59 (Rupees Two Hundred Fifty-Three crore and Fifty-Nine lakh only)				

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2.

Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has reaffirmed its rating assigned to the bank facilities as MSPIL continues to derive strength from improvement in margins, albeit decline in revenue, comfortable capital structure and extensive experience of promoters. The ratings are however constrained by project execution risk, susceptibility of profitability to regulatory changes in sugar industry and large working capital requirement during peak season.



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The outlook is expected to remain stable through extensive support of promoters along with expected improvement in revenue and margins.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in the 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.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Improvement in margins, albeit decline in revenue

MSPIL's revenue has declined by 7.50% to Rs. 236.40 crore in FY24 (period refers to 01st April 2023 to 31st March 2024) from Rs. 255.57 crore in FY23 due to decline in sales volume, however sales realizations have improved on account of increase in sugar prices. MSPIL had held its sugar stock in FY24 in anticipation of further increase in sugar prices, which led to achievement of revenue of Rs. 111.27 crore in H1FY25 and is expected to further increase through additional benefits from Ethanol distillery unit which is expected to commence operations from January 2025.

However, EBITDA margins have significantly improved to 18.26% in FY24 from 13.55% in FY23 due to lower input costs and operating costs in FY24.

Comfortable capital structure

Capital structure remained comfortable despite increased in overall gearing and TOL/TONW to 1.47x and 1.83x respectively as on 31st March 2024 from 0.79x and 1.24x respectively as on 31st March 2023 due to additional working capital borrowings and debt led capex. Despite increase in debt, MSPIL's interest coverage ratio has improved to 4.21x in FY24 from 3.29x in FY23 due to significant improvement in EBITDA.



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Extensive experience of promoters

The promoters bring over 20 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.

Key Rating Weaknesses

Project execution risk

MSPIL is incurring capex of Rs. 207 crores for setting up ethanol plant with capacity of 200 KLPD funded through debt (79.22%), internal accruals (19.32%) and balance through unsecured loans from promoters. MSPIL has incurred this unplanned capex due to subsidy benefits announced by central and state governments. As per this subsidy scheme, MSPIL is entitled to receive interest subvention of 6% or 50% of the interest amount whichever is less. MSPIL has already tied up for the funds and as per on management, project is 80% completed and project is in line with Commercial Operations date (COD) of the bank.

Susceptibility of profitability to regulatory changes in 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 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 on assigning rating outlook](#)



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[Criteria on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity position of the company remains adequate as cash accruals are expected to match tightly with debt repayment obligations. The free cash balance as on March 31, 2024, stood at Rs. 7.65 crore. The average working capital utilization for 12 months ending September 2024 has been 74.36%. The current ratio and quick ratio stood at 1.23x and 0.23x respectively in FY24.

About the Company

MSPIL was incorporated as Pithera Sugar Mills Private Limited 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):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	255.57	236.40
EBITDA	34.64	43.16
PAT	9.91	15.97
Total Debt	82.79	175.89
Tangible Net Worth	104.38	119.67
EBITDA Margin (%)	13.55	18.26
PAT Margin (%)	3.79	6.71
Overall Gearing Ratio (x)	0.79	1.47
Interest Coverage (x)	3.29	4.21

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (September 21, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan	Long Term	189.09	IVR BBB-/ Stable	IVR BBB-/ Stable	--	--
2.	Cash Credit	Long Term	34.50	IVR BBB-/ Stable	IVR BBB-/ Stable	--	--
3.	WHR	Long Term	30.00	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.



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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
Term Loan	--	--	March, 2031	189.09	IVR BBB-/ Stable
Cash Credit	--	--	--	34.50	IVR BBB-/ Stable
WHR (Warehouse Receipt)	--	--	--	30.00	IVR BBB-/ Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-MSPIL-nov24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

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.