Parvati Sweetners and Power Limited

April 23, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	11.31 (reduced from Rs 23.28 crore)	IVR BB/ Stable (IVR Double B with Stable Outlook)	IVR BB/ Stable (IVR Double B with Stable Outlook)	Reaffirmed	Simple
Total	**11.31 (Rs. Eleven-Crore and Thirty- One Lakh Only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation in the rating on the long-term bank facilities of Parvati Sweetners and Power Limited (PSPL) considers established operational track record along with experienced management, comfortable capital structure with adequate coverage indicators. The rating, however, remains constrained by elongated operating cycle and exposure to intense market competition.

Earlier on February 25, 2025, Infomerics has downgraded the rating of PSPL by one notch to BB/Stable, due to significant deterioration in financial performance, resulting in losses during the first nine months of the current fiscal year 2025, thereby affecting cash accruals. The decline was mainly attributable to temporary supply disruptions caused by a shortage of sugarcane, inventory write-downs due to lower realizations, and a rise in operating costs.

The Stable outlook is supported by expectations of steady improvement in scale of operations along with a stable demand outlook for the industry.

Key Rating Sensitivities:

Upward Factors

- Growth in the scale of operations with improvement in profitability on a sustained basis and consequent improvement in cash accruals.
- Improvement in capital structure and debt protection metrics.
- Improvement in liquidity position marked by improvement in the operating cycle.

Downward Factors

- Moderation in scale of operations and/or moderation in profitability impacting cash accruals on a sustained basis.
- Moderation in the capital structure with deterioration in overall gearing and/or moderation in interest coverage ratio.
- Elongation in operating cycle leading to moderation in liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of operations and experienced management**

The company commenced its operations in 2013 and has an extensive track record across Madhya Pradesh. The founder and chairman bring over three decades of experience in the sugar industry, while the other directors have nearly 15 years of industry experience. The long-standing experience of the leadership team, coupled with the company's established operational history, strengthens its overall risk profile.

- **Comfortable capital structure and coverage indicators**

PSPL's capital structure remained moderate, with a tangible net worth of Rs 101.27 crore in FY24 (Rs. 101.35 crore H1FY25), improving from Rs 99.97 crore in FY23 due to accretion in reserves on account of profits earned by the company during FY24. Further, the total debt levels which increased to Rs 53.06 crore in FY24 (Rs. 30.06 crore H1FY25) from Rs 51.72 crore in FY23. As a result, overall gearing remained stable at 0.52x in FY24 (H1FY25:0.30x, PY:0.52x). The total indebtedness indicated by TOL/TNW stood at 0.67x (PY:0.37x) as of March 31, 2024. Coverage indicators improved during the period, with the interest coverage ratio rising to 3.17x in FY24 (2.32x in H1FY25) from 2.60x in FY23, driven by higher absolute EBITDA. The capital structure is expected to remain comfortable as on March 31, 2025.

Key Rating Weaknesses

- **Moderation in operating performance and profitability**

During first nine months of fiscal 2025, EBITDA declined by ~37% to Rs 3.93 crore (FY24: Rs 10.96 crore) as compared with Rs 6.19 crore during corresponding period last year (CPLY) mainly impacted by supply disruptions from sugarcane shortages, inventory write-downs due to lower realizations, and increased operating costs. EBITDA margins have contracted to 9.32% during 9MFY25 from 13.60% during FY24. PSPL has reported a loss of Rs. 1.26 crore during 9MFY25 as compared with PAT of Rs. 1.43 crore during fiscal 2024. Further decline in operating performance leading to moderation in cash accruals and/or liquidity will remain a key rating sensitivity factor.

- **Working capital intensive nature of operations due to elongated operating cycle**

Inventory management is crucial for the company as it needs to maintain optimal inventory of sugar to meet the customer demand and unforeseen supply shortage. Instances of build-up of inventory normally take place during the year end. Accordingly, the average inventory period of the company stood at around 383 days in FY24 (320 days in FY23). The average collection period and average creditor days in FY24 stood at 9 days and 25 days respectively. Hence, the operating cycle (FY24: 371 days and FY23: 317 days) was mainly elongated by inventory build-up. Furthermore, operating cycle is expected to be elongated due to lower than expected sales in 9MFY25. Any further elongation in operating cycle will remain a key monitorable, going forward.

- **Exposure to intense competition in the overall industry**

The sugar manufacturing industry is highly competitive, with limited pricing power due to its commoditized nature, resulting in moderate industry-wide margins. Furthermore, the company's sales are concentrated in Madhya Pradesh, exposing it to geographical concentration risk. In addition to the same, the industry is exposed to climatic risk like unseasonal or excessive rainfall.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity –Adequate

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals to meet the term debt repayment going forward. Furthermore, current ratio of the company also stood comfortable at 1.91x on March 31, 2024 and is also expected to be at similar levels as on March 31,2025.

About the Company

Parvati Sweetners and Power Ltd. is engaged in sugar manufacturing with cogeneration capabilities. It is operated by “LNCT Group”, one of the leading group engaged in education sector within Madhya Pradesh. The other business verticals of the group are Pharmaceuticals, Real Estate, Information Technology, and Infrastructure in Madhya Pradesh. The unit is located in Dabra District of Madhya Pradesh and is operational since 2013. Furthermore, the unit also has multi-fuel boiler in operation which helps to generate power in offseason as well help to process raw sugar with higher capacity in off season too. The sugar factory is presently crushing at a rate of 2500 TCD with 3.75 MW cogeneration capabilities. The company has applied for expansion up to 5000 TCD.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	89.19	80.58
EBITDA	9.49	10.96
PAT	1.35	1.43
Total Debt	51.72	53.06
Tangible Net Worth	99.97	101.27
EBITDA Margin (%)	10.63	13.60
PAT Margin (%)	1.51	1.77
Overall Gearing Ratio (x)	0.52	0.52
Interest Coverage (x)	0.63	0.67

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2025-26)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
					February 25, 2025	February 22, 2024	
1	ECLGS	Long Term	1.70	IVR BB/ Stable	IVR BB/ Stable	IVR BB+/Stable	-
2	Term Loan	Long Term	-	Withdrawn	IVR BB/ Stable	IVR BB+/Stable	-
3	Dropline OD	Long Term	3.61	IVR BB/ Stable	IVR BB/ Stable	IVR BB+/Stable	-
4	Cash Credit	Long Term	6.00	IVR BB/ Stable	IVR BB/ Stable	IVR BB+/Stable	-

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
ECLGS 1	-	-	-	-	-	Withdrawn
ECLGS 2	-	-	-	March, 2027	1.70	IVR BB/Stable
Term Loan	-	-	-	-	-	Withdrawn
Dropline OD	-	-	-	July, 2026	3.61	IVR BB/Stable
Cash Credit	-	-	-	-	6.00	IVR BB/Stable

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-parvatisweetner-apr25.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.