



Press Release

Baliraja Sakhar Karkhana Ltd

September 23, 2020

Ratings

Facility*	Amount (Rs. Crore)	Rating		Rating Action
		Current	Previous (May 13, 2019)	
Long Term Fund based facilities - Cash Credit	112.05	IVR BB- /Stable (IVR Double B Minus with Stable Outlook)	-	Assigned
Long Term Fund based facilities - Term Loan	63.91 (reduced from 85.00)	IVR BB- /Stable (IVR Double B Minus with Stable Outlook)	IVR B+ /Stable (IVR B Plus with Stable Outlook)	Upgraded
Total	175.96			

**Details of Facilities are in Annexure 1*

Detailed Rationale

The ratings upgrade for the bank facilities of Baliraja Sakhar Karkhana Ltd (BSKL) takes into account the company's experienced promoters, its diversified product profile, proximity to sugar cane growing area and moderate recovery rate. These are partially offset by modest financial profile with working capital intensive operations, cyclical nature of the sugar business, exposure to vagaries of nature and the risks related to government regulations.

Key Rating Sensitivities

Upward Factors

- Improvement in profitability metrics thereby leading to overall improvement in cash accruals and debt protection parameters on a sustained basis

Downward Factors

- Decline in profitability due to any company or industry related factors leading to deterioration in debt protection metrics.
- Any adverse government regulations



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and diversified product profile:

The promoters of BSKL have around two decades of long experience in the sugar industry. Long standing presence in the industry has helped them in building established relationships with both customers and suppliers. The Company is likely to benefit from the extensive experience of its promoters over the medium term. BSKL derives 79% of income from sugar segment and 13% from sale of energy to MSEDL and rest from sale of molasses and other byproducts in FY20. A diversified product portfolio enables the firm to spread its risk and reduce dependency on single products.

Proximity to sugar cane growing area and moderate recovery rate:

The primary raw material, sugarcane, is available in abundant quantity nearby the plant location. The presence in sugarcane growing area gives a competitive advantage in terms of easy availability of quality sugarcane and lower freight. The recovery rate of the company remained moderate at 11.63% in FY20 with a recovery of molasses at 4.58% and bagasse recovery at 24% in FY20. (PY 12.00%, 4.90% and 24.54% in FY19).

Key Weaknesses

Modest Financial profile with working capital intensive operations:

The Company has a high leverage structure due to its high dependency on bank borrowings. The overall gearing as on FY2020 is 5.77x. Debt protection measures, ISCR & DSCR have slightly improved but still in modest range and are recorded as 1.91x and 1.07x respectively as on FY2020. The operations are highly working capital intensive majorly because of the higher inventory levels in the operations.

Exposed to vagaries of nature:

Being an agro-based industry, performance of Baliraja Sakhar Karkhana Ltd is dependent on the availability of sugarcane crop and its yield, which may get adversely affected due to adverse weather conditions. The climatic conditions and pest related attacks have a bearing on the cane output, which is the primary feedstock for a sugar producer. Climatic conditions, to be precise the monsoons influence various operational structures for a sugar entity, such



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as the crushing period and sugar recovery levels. In addition, the degree of dispersion of monsoon precipitation across the sugar cane growing areas also leads to fluctuating trends in sugar production in different regions.

Exposure to risk related to government regulations:

The Sugar industry is highly exposed to risks related to Government regulations. Various Government Acts virtually governs all aspects of the business, which include the availability and pricing of sugarcane, sugar trade and by - product pricing. The procurement of sugarcane by the sugar entities is governed by the Sugarcane (Control) Order, 1966, which stipulates that the mills need to source their sugarcane only from the command area allocated to them. The order also makes it mandatory for the sugar mill to necessarily uplift the entire sugarcane production of the farmer, irrespective of the market demand, which has a considerable impact on the inventory holding pattern. Further, Government intervention also exists to control the sugar prices to curb food inflation and stabilize the sugar prices in the domestic market. Moreover, ethanol-blending policy is also highly regulated by the government. Vulnerability in business due to Government regulations is likely to continue over the medium term.

Cyclical nature of the sugar business:

The key parameters of the sugar supply in the domestic market for a given sugar season are typically controlled by factor like domestic sugar production, opening sugar stock levels and global sugar production and sugar imports. The industry is highly cyclical in nature because of variations in the sugarcane production in the country with typical sugar cycles lasting three five years, as production adjusts to the fall in prices, which in turn leads to lower supplies, price increase and higher production

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)



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Liquidity: Adequate

The Gross cash accruals are healthy at Rs. 26.72 crore in FY2020 as against loan repayments of Rs. 23.16 crore falling due over the next 12 months. The company has availed the moratorium as per RBI guidelines. The average CC utilization for past 12 months ending in July 2020 is at 69% and thus there is adequate cushion in the working capital limits.

About the Company

Baliraja Sakhar Karkhana Limited (BSKL) was incorporated in 2001 and has registered office at Shivaji Nagar, Pune. The company was promoted by Mr. Shivaji Bhagwanrao Jadhav and his family. The company is engaged in manufacturing of sugar with manufacturing capacity of 3500 TCD (tons of cane per day) with a Co-generation power plant capacity of 15MW.

Financials: Standalone

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	203.18	201.11
EBITDA	42.74	48.01
PAT	9.80	13.91
Tangible Net worth	1.22	15.13
EBITDA Margin (%)	21.04	23.87
PAT Margin (%)	4.63	6.78
Overall Gearing Ratio (x)	119.48	5.77

*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.	Facilities	Current Rating (Year 2020-21)			Rating History		
		Type	Amount outstanding (Rs. Crore)	Ratings	May 13, 2019	2018-19	2017-18
1.	Cash Credit	Long Term	112.05	IVR BB-/stable Outlook (IVR Double B minus with Stable Outlook)	-	NA	NA
2..	Term Loan	Long Term	63.91	IVR BB-/stable Outlook (IVR Double B Minus with Stable Outlook)	IVR B+/stable Outlook	NA	NA
Total			175.96				

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:

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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ANNEXURE I

Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	Revolving	112.05	IVR BB-/stable Outlook (IVR Double B Minus with Stable Outlook)
Long Term Bank Facilities – Term Loan	-	-	31-03-2023	63.91	
Total				175.96	