



Press Release

**Karmyogi Kundalikrao Ramrao Jagtap Patil Kukadi Sahakari Sakhar
Karkhana Ltd**

October 29, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1.	Long Term Facility – Fund Based – Cash Credit	28.15	IVR B- / Stable Outlook (IVR Single B Minus with Stable Outlook)	Re-affirmed and removed from 'ISSUER NOT COOPERATING'
2.	Long Term Fund Based Facility – Term Loan	37.65	-	Withdrawn
	Total	65.80		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating continues to derive comfort from a diversified customer base and a healthy relationship with farmers and long operating history of the company in the sugar business. However the rating strengths are offset by a significant deterioration in the financial risk profile, volatile operating margin and exposure to risk related to government regulations and susceptibility to adverse weather conditions.

Key Rating Sensitivities

Upward factors:

- Significant and sustained improvement in profitability margins and debt coverage indicators

Downward factors:

- Decline in profitability leading to further weakness in liquidity and debt servicing indicators



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Key Rating Drivers with detailed description

Key Rating Strengths

Diversified customer and healthy relationship with farmers

The company has a diversified customer base. The company provides various facilities to its farmer members such as help in setting up drip irrigation and seeds and fertilizers at cost. They also provide training to sugarcane farmers to obtain higher yield, thereby improving productivity and increased output available for its sugarcane crushing mill.

Long operating history of the company in the sugar business

Incorporated in 2003, the company is involved in the manufacturing of sugar and its allied products. The promoters have more than 10 years of experience in the sugar industry and wide acceptance among the local farmers which facilitates adequate and timely cane procurement and ensures adequate crushing period

Key Rating Weaknesses

Significant deterioration in the financial risk profile

During FY2020 (Prov.) the bottom line income of the company declined from INR0.12 crore in FY19 to -INR13.47 crore in FY20 (P) as the operations of the company were affected by closure in crushing operations as major sugarcane growing areas of Maharashtra were affected by drought, this led to the company shutting their operations. This has led to a significant deterioration in profitability and debt protection metrics, with the company having to resort of short-term secured and unsecured loans from banks, subsidies from government and rebates to fulfil their debt servicing obligations. Their interest coverage ratio has declined from 1.19x in FY19 to 0.57x in FY20 (P). The total debt of the company has reduced from INR403.65 crore in FY19 to INR295.66 crore in FY20 (P).The current ratio of the company has been sub-optimal at 0.82x and quick ratio at 0.31x in FY20 (P).

Volatile operating margin and exposure to risk related to government regulations

The company operates in the sugar industry which is exposed to risks related to Government regulations in terms of pricing. This makes its operating profitability susceptible to any policy measure announced by the Government to support sugarcane producers and to keep the



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sugar prices in check. Vulnerability in business due to Government regulations is likely to continue over the medium term.

Susceptibility to adverse weather conditions

The company's operation is seasonal with maximum business between the months of September to October. The profitability of the company is highly dependent on weather conditions, their operations were affected due to adverse weather conditions in FY20, as drought hit areas of Maharashtra thus affecting the sugarcane produce causing the company to shut down their operations.

Analytical Approach:

Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Poor

The company's liquidity is poor, with inadequate cash accruals as against debt payments obligations, due to which the company has had to resort to short term unsecured and secured loans along with subsidies and rebates to service their payment obligations.

About the company

Karmyogi Kundalikrao Ramrao Jagtap Patil Kukadi Sahakari Sakhar Karkhana Ltd was incorporated in 2003 and has registered office at Pimpalgaon Pisa village, Ahmednagar. The company is a cooperative society, registered under the Cooperative Societies Act, 1960. Mr. Rahul Jagtap son of late Mr. Kundalikrao Jagtap. Mr. Rahul Jagtap is the chairman with a decade of experience in sugar industry. He is an elected Member of the Legislative Assembly from Shrigonda in Ahmednagar. The company is engaged in manufacturing of sugar and cogeneration of power. The company has manufacturing capacity of 3500 TCD (Tons of cane per day). The company also generates power from the sugarcane bagasse, with a capacity of 27 MW. Name of entity changed from 'Kukadi Sahakari Sakhar Kharkhana Ltd' to 'Karmyogi



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Kundalikrao Ramrao Jagtap Patil Kukadi Sahakari Sakhar Karkhana Ltd' as per certificate of registration from the Govt of Maharashtra dated 08.03.19

Financials (Standalone)*:

(INR crore)

For the year ended/ As On	31-03-2018 (Audited)	31-03-2019 (Audited)	31-03-20 (Provisional)
Total Income	152.42	189.01	189.93
EBITDA	40.18	39.39	13.80
PAT	0.32	0.12	-13.47
Total Debt	284.57	403.65	295.66
Tangible Net-worth	67.56	79.68	70.81
Ratios			
EBITDA Margin (%)	26.36	20.84	7.27
PAT Margin (%)	0.21	0.07	-7.09
Overall Gearing Ratio (x)	4.21	5.07	4.18

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: CRISIL in their press Release dated on July 21, 2020 has classified the case under Issuer Not Cooperating status on account of non-submission of relevant information

Any other information: None



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Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Type	Current Rating (Year 2020-21)		Rating History for the past 3 years			
			Amount outstanding (INR crore)	Assigned Rating	Date(s) & Rating(s) assigned in 19-20	Date(s) & Rating(s) assigned in 18-19	Date(s) & Rating(s) assigned in 17-18	
1.	Long Term Bank Facilities – Term Loan	Long Term	28.15	IVR B- /Stable Outlook	IVR B-; ISSUER NOT COOPERATING (PR dated August 25, 2020)	IVR B/Stable Outlook (PR Dated: July 22, 2019)	-	-
2.	Long Term Bank Facilities – Term Loan	Long Term	37.65	Withdrawn	IVR B-; ISSUER NOT COOPERATING (PR dated August 25, 2020)	IVR B/Stable Outlook (PR Dated: July 22, 2019)	-	-

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. 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 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Term Loan	NA	NA	Up to 2025	28.15	IVR B-/ Stable Outlook
Long Term Fund Based Facility – Term Loan	NA	NA	-	37.65	Withdrawn