



Satish Sugars Limited

Instrument	Amount	Rating Action
	In Rs. crore	December, 2014
Term Loan	122.42 (earlier 128.93)	Reaffirmed at [ICRA]BB, outlook revised to stable from negative
Cash Credit	49.80	Reaffirmed at [ICRA]BB, outlook revised to stable from negative
Unallocated Limits	7.78 (earlier 1.27)	Reaffirmed at [ICRA]BB, outlook revised to stable from negative

ICRA has reaffirmed the long term rating of [ICRA]BB (pronounced ICRA double B) to Rs. 122.42 crore term loans (earlier Rs. 128.93 crore), Rs. 49.80 crore cash credit facilities and Rs.7.78 crore (earlier Rs. 1.27 crore) unallocated limits of Satish Sugars Limited (SSL)[†]. The outlook on the long term rating is revised to stable from negative.

The revision in outlook to stable from negative factors in the rationalization of the cane costs from SY15 season onwards by linking the cane costs to the actual realizations of sugar and its by-products in the state of Karnataka^{*}. This would support the profitability of the mills during suppressed sugar realization scenario as against the earlier SAP cane pricing mechanism.

The rating reaffirmation takes into account the exposure of the sugar plant of the company, which is based in North Karnataka region, to agro climatic risks on sugarcane availability and recovery, and high regulatory intensity in terms of sugarcane pricing and sugar exports. Low sugar realizations during FY14 has constrained the operating profitability and the financial profile of SSL is weak as reflected by low net profitability, relatively high gearing and weak debt coverage metrics in FY14. The ratings are also constrained by the expected additional cash outflow in SY15 towards the cane arrears of SY14 with the Karnataka High Court upholding the state government powers to fix the sugarcane prices, which coupled with the prevailing low sugar prices is likely to impact the profitability to an extent in the near term. However, the rating draws comfort from SSL's experienced management, forward integration by the company into cogeneration and distillery which provides cushion to profitability in case of sugar downturn, locational advantages with the plant being situated in North Karnataka region, which in a normal year ensures good cane availability and recovery. ICRA notes that the operations of SSL have been supported by increase in the sugar sales volumes by 9% YoY in FY14 backed by higher cane crushing during SY14 by 25% YoY to 14.58 lakh MT and higher recovery rate at 11.0% in SY14 as against 10.2% in SY13, resulting in higher sugar production by 36% YoY to 1.61 lakh MT in SY14.

Company Profile

Satish Sugars Limited (SSL) is situated in Gokak Tq. of Belgaum district in North Karnataka. SSL started operations in SY2000-01 as 1250 TCD Khandasari unit and presently has 10000 TCD sugarcane crushing capacity, 31 MW cogeneration unit and 60 KLPD distillery. It is promoted by Mr. Satish Jarkiholi and his family. In SY14, SSL crushed 14.58 lakh MT of sugarcane at a recovery rate of 11.0% and produced 160,877 MT of sugar.

Recent Results

In FY14, SSL has reported operating income of Rs. 512.95 crore and net profit of Rs. 10.58 crore as against operating income of Rs. 513.12 crore and net profit of Rs. 4.96 crore in FY13.

December 2014

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

^{*} State government of Karnataka has amended the Sugarcane Regulation Act – mills would pay FRP at the beginning of the sugar season and the additional price would be fixed on the basis of the actual revenue realized by the factory at the end of the season, which would be paid at the end of the sugar season



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