

Padmashri Dr. Vitthalrao Vikhe Patil Sahakari Sakhar Karkhana Limited

Instrument	Amount	Rating Action
Long term, Fund based limits – Cash Credit	Rs. 250.00 crore	[ICRA] BB(Stable) outstanding
Long term, Fund based limits – Term Loan	Rs. 110 crore	[ICRA] BB(Stable) assigned

ICRA has assigned the long term rating of [ICRA]BB (pronounced ICRA double B) to the Rs. 360.00 crore¹ (enhanced from Rs. 250.00 crore) long term fund based facilities of Padmashri Vitthalrao Vikhe Patil Sahakari Sakhar Karkhana Limited ("PVSSK", "The Company").²

The assigned rating favourably factors in established track of the sugar mill driven by adequate cane availability and high sugar recovery over the years. The company is the first sugar manufacturing set up in co-operative sector in with ~65 sugar cycles completed. Forward integrated operations with distillery unit provides additional source of revenue and partially protects the company from cyclical inherent in sugar sales industry. The company has reported healthy growth in operating income of FY2016 driven by increase in sugar volumes. Also the profitability of the company has improved in FY2016 provisional results mainly supported by improvement in contribution margins in distillery division on back of increase in share of ethanol sales in which margins are better as compared to spirit sales and higher inventory valuation as on March 2016 in line with the improvement in sugar prices. The rating also takes into account recent government support in the form of raw sugar export subsidy and interest free loan scheme to repay cane arrears under which the company has been sanctioned interest free term loan of Rs. 33.56 crore in FY2016 providing short term liquidity support. ICRA also takes into account the favourable outlook for the sugar industry with current sugar prices at healthy rate.

The rating however, is constrained by deterioration of capital structure and coverage indicators in past two fiscals due to rise in debt levels with increased stocks and losses incurred in FY2015. Gearing stands at 2.1x as on March 2016 with TD/OPBITDA of 5.2x. Debt repayments of Rs. 17.03 crore and Rs. 23.97 crore are falling due in FY2017 and FY2018 respectively and ensuring adequate capacity utilization and liquidation of stocks will be critical for meeting repayments in a timely manner. Higher cane cost has impacted the margins and overall profitability of the company during last few years and thus recovery of sugar prices in the domestic market along with government support will remain crucial for viability of operations. Further, the company remains exposed to regulatory risks regarding cane pricing, export regulations and agro climatic conditions and cyclical trends inherent in the sugar industry. Going forward, ensuring timely liquidation of sugar stock and adequate capacity utilization will be the key rating sensitivities.

Company Profile

Incorporated in 1950, Padmashri Dr. Vitthalrao Vikhe Patil Sahakari Sakhar Karkhana Limited (PVSSK) is involved in the manufacturing of sugar and its allied products. The company operates a sugar mill of 5000 TCD (tonnes crushed per day) installed capacity which is forward integrated with distillery unit of 120 KLPD (kilo litres per day). The manufacturing facilities of the company are located at Pravaranagar in Ahmednagar district of Maharashtra. In FY2015, the company has also taken over a sugar mill located in Ganeshnagar area in Ahmednagar from Government of Maharashtra to operate for 8 years.

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¹ 1 crore = 100 lakh = 10 million

² For complete rating definition, please refer to ICRA website www.icra.in or any of the ICRA Rating Publications.



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