Rajshree Sugars & Chemicals Limited

July 03, 2018

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	388.13	334.42	[ICRA]D; reaffirmed; removed from 'Issuer Not Co-operating' category
Cash Credit	191.00	82.84	[ICRA]D; reaffirmed; removed from 'Issuer Not Co-operating' category
Unallocated	70.69	-	NA
Total	**649.82**	**417.26**	

Rating action

ICRA has reaffirmed the long-term rating at [ICRA]D (pronounced ICRA D) for the Rs. 417.26-crore[1] bank facilities of Rajshree Sugars & Chemicals Limited (RSCL)[2]. The rating has been removed from the 'Issuer Not Co-operating' category.

Rationale

The rating reaffirmation reflects the continuous delays in the company's debt servicing because of inadequate cash accruals. The decrease of ~54% YoY in cane crushing volume (5.5 lakh metric tonne) in sugar year (SY) 2018, has adversely impacted RSCL's profitability and debt coverage metrics in FY2018. Further, the sugar prices have been under pressure since Q4 FY2018 because of its oversupply in the domestic market. The ratings remain constrained by the weak financial profile, the vulnerability of sugar operations to agro-climatic risks and regulatory risks inherent in the sector with respect to Government policies on cane pricing, sugar exports etc.

ICRA, however, takes note of the fully-integrated sugar plants (with both cogeneration and distillery units) which cushions the margins during downturn.

Key rating drivers

Credit strengths

Forward-integrated nature of operations – RSCL has three sugar-manufacturing units with combined cane-crushing capacity of 11,500 tonne crushed per day (TCD). These units are forward integrated with total distillery capacity of 125 kilo litre per day (KLPD) and total co-generation capacity of 54.5 megawatt (MW). This provides an alternate revenue source and cushions profitability against cyclicality in sugar business.

[1] *100 lakh = 1 crore = 10 million*

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

Credit challenges

Delays in debt servicing – The company is continuously delaying the servicing of its debt obligations because of inadequate cash accruals. This is due to sub-optimal cane crushing volume of 5.5 lakh MT in SY2018 against crushing volume of 12 lakh MT in SY2017 (~54% YoY decrease), along with subdued sugar prices in Q4 FY2018. These factors have adversely impacted the profitability, cash accruals and debt coverage metrics.

Weak financial profile – RSCL's weak financial profile is characterised by losses at the net level, high gearing and weak debt coverage metrics FY2018. This is mainly due to low cane crushing volumes.

Vulnerability of profitability to agro-climatic and regulatory risks – Profitability of sugar mills is exposed to the cyclicality of the sugar industry, agro-climatic risks associated with cane production and Government policies related to cane pricing and sugar trade.

High sector-concentration risk – The ratings continue to factor in the high sector-concentration risk as most of the company's revenues are derived from the sugar segment. In case of any further downturn in this sector, the financial parameters may be impacted adversely.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

Corporate Credit Rating Methodology

Rating Methodology for Entities in the Sugar Industry

About the company

Rajshree Sugars & Chemicals Limited (RSCL), founded in 1985 by Late Shri. G. Varadaraj, is an integrated sugar company with three units at Theni, Villupuram, and Gingee in Tamil Nadu. It also has a subsidiary sugar mill, namely Trident Sugars (TSL), at Zaheerabad in the Medak district of Andhra Pradesh. The company has a combined crushing capacity of 11,500 TCD. It also has a total distillery capacity of 125 kilo litres per day (KLPD; 45 KLPD in Theni unit and 80 KLPD in Gingee unit) and a total cogeneration capacity of 54.5 MW (12 MW in Theni unit, 22 MW in Villupuram unit and 20.5 MW in Gingee unit).

Key Financial Indicators (Audited)

	FY2016	FY2017
Operating Income (Rs. crore)	666.7	552.3
PAT (Rs. crore)	29.9	-12.6
OPBDIT/OI (%)	20.9%	6.2%
RoCE (%)	16.3%	5.2%
Total Debt/TNW (times)	8.1	3.4
Total Debt/OPBDIT (times)	4.4	13.1
Interest Coverage (times)	2.0	0.6
NWC/OI (%)	14%	6%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding as on FY2018 end (Rs. crore)	Current Rating (FY2019) Date & Rating in FY2019 July 2018	Chronology of Rating History for the past 3 years Date & Rating in FY2017 January 2017	Date & Rating in FY2016 December 2015	Date & Rating in FY2015 April 2014
Term Loans	Long-term	334.42	334.42	[ICRA]D	[ICRA]D; ISSUER NOT COOPERATING	[ICRA]D	[ICRA]B
Cash Credit	Long-term	82.84	82.84	[ICRA]D	[ICRA]D; ISSUER NOT COOPERATING	[ICRA]D	[ICRA]B
Unallocated	Long-term	-	-	NA	[ICRA]D; ISSUER NOT COOPERATING	[ICRA]D	[ICRA]B
Unallocated	Short-term	-	-	NA	[ICRA]D; ISSUER NOT COOPERATING	[ICRA]D	[ICRA]A4

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan 1	March 2014	12.50%	September 2023	52.53	[ICRA]D
NA	Term Loan 2	March 2014	12.50%	September 2023	14.21	[ICRA]D
NA	Term Loan 3	March 2014	12.50%	September 2023	9.52	[ICRA]D
NA	Term Loan 4	March 2014	12.50%	September 2023	35.42	[ICRA]D
NA	Term Loan 5	March 2014	12.50%	September 2023	56.95	[ICRA]D
NA	Term Loan 6	March 2014	12.50%	September 2023	9.11	[ICRA]D
NA	Term Loan 7	March 2014	12.50%	September 2023	17.09	[ICRA]D
NA	Term Loan 8	March 2014	12.50%	September 2023	6.54	[ICRA]D
NA	Term Loan 9	March 2014	2.00%	December 2018	2.22	[ICRA]D
NA	Term Loan 10	March 2014	2.00%	December 2018	1.21	[ICRA]D
NA	Term Loan 11	March 2014	2.00%	December 2018	5.65	[ICRA]D
NA	Term Loan 12	March 2014	2.00%	December 2018	1.37	[ICRA]D
NA	Term Loan 13	March 2014	12.50%	March 2022	11.54	[ICRA]D
NA	Term Loan 14	March 2014	12.50%	June 2022	8.23	[ICRA]D
NA	Term Loan 15	March 2014	12.50%	March 2022	6.91	[ICRA]D
NA	Term Loan 16	March 2014	12.50%	June 2022	9.25	[ICRA]D
NA	Term Loan 17	March 2014	12.50%	March 2022	3.80	[ICRA]D
NA	Term Loan 18	March 2014	12.50%	September 2021	1.26	[ICRA]D
NA	Term Loan 19	March 2014	12.50%	September 2021	11.87	[ICRA]D
NA	Term Loan 20	March 2014	12.50%	September 2021	0.91	[ICRA]D
NA	Term Loan 21	March 2014	12.50%	September 2021	2.36	[ICRA]D
NA	Term Loan 22	March 2014	12.50%	September 2021	7.94	[ICRA]D
NA	Term Loan 23	August 2014	12.50%	September 2021	2.60	[ICRA]D
NA	Term Loan 24	August 2014	12.50%	September 2023	18.98	[ICRA]D
NA	Term Loan 25	September 2015	11.00%	March 2022	23.53	[ICRA]D
NA	Term Loan 26	September 2015	12.00%	March 2022	5.15	[ICRA]D
NA	Term Loan 27	September 2015	11.00%	March 2022	4.14	[ICRA]D
NA	Term Loan 28	September 2015	11.00%	September 2022	1.29	[ICRA]D
NA	Term Loan 29	September 2015	11.00%	September 2020	2.84	[ICRA]D
NA	Cash Credit	NA	NA	NA	82.84	[ICRA]D

Source: RSCL

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