

Press Release

Yadu Sugar Limited

March 20, 2020

Rating

Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action
Long Term - Bank Facilities	170.00	IVR B/ Stable Outlook (IVR Single B with Stable Outlook).	Rating reaffirmed at IVR B/ Stable Outlook (IVR Single B with Stable Outlook).
Total	170.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Yadu Sugar Limited (YSL) continues to derive comfort from the extensive experience of its promoters in the sugar industry. However, the rating strength continues to remain constrain by customer concentration risk in the Company's revenue profile, volatility in its operating margin, exposure to risk related to government regulations and its weak profitability leading to poor liquidity and debt protection parameters.

Key Rating Sensitivities

Upward Factors:

- Significant improvement in scale and profitability on sustained basis
- Improvement in debt protection parameters and liquidity

Downward Factors:

- Deterioration in scale of operations

Detailed Description of Key Rating Drivers

Key Rating Strengths:

Experienced promoters

The promoters of YSL have around two-decade-long experience in the sugar industry. Long standing presence in the industry has helped them to build established relationships with both customers and suppliers. The Company is likely to benefit from the extensive experience of its promoters over the medium term.

Key Rating Weaknesses:

Customer concentration in revenue profile

YSL is exposed to customer concentration risk in its revenue profile as it derived ~93 per cent of its revenue from top five customers. Further, top three customers contributed ~70 per cent to its sales in FY19. The customer concentration is likely to continue in the near to medium term.

Volatile operating margin and exposure to risk related to government regulations

YSL operates in the sugar industry which is exposed to risks related to Government regulations. This makes its operating profitability susceptible to any policy measure announced by the Government to support sugarcane producers and to keep the sugar prices in check. Vulnerability in business due to Government regulations is likely to continue over the medium term.

Weak profitability leading to poor liquidity and debt protection parameters

YSL's scale of operation remained almost stagnant with marginal deterioration in FY19 largely affected by moderation in sales realisation during the year. Further, the company has also witnessed drop in its capacity utilisation from ~91% in FY18 to ~61% in FY19. Moderation in sales realisations, increase in operating expenses coupled with deterioration in capacity utilisation leading to lower absorption of fixed overheads resulted in operating loss for the company and the company again witnessed cash loss in FY19. The capital structure of the also deteriorated marked by erosion of net worth due to continuous loss in FY18 and FY19. Further, continuous cash loss during the last two fiscals largely affected YSL's debt protection metrics and liquidity. The company's weak profitability largely affected its liquidity position. However, the working capital limits remained moderately utilized at an average of ~81% in the twelve months ended November; 2019. In 9MFY20, the company has achieved a total operating revenue of Rs.103.86 crore.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Poor

Poor liquidity marked by lower accruals when compared to repayment obligations. This could constrain the ability of the company to repay its debt obligations on a timely basis.

About the Company

Yadu Sugar Limited (YSL) was incorporated on May 8, 1998 as a Greenfield project at Sujampur, district Badaun Uttar Pradesh. The Company is engaged in manufacturing of sugar with installed capacity of 7500tcd (licensed capacity 5500 tcd) with co-generation of 32 MW of power. YSL had its first crushing season in 2011-12.

Financials (Standalone Basis)

	(Rs. crore)	
For the year ended / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	168.15	167.14
EBITDA	0.39	-13.17
PAT	-43.20	-31.19
Total Debt	238.07	208.36
Adjusted Tangible Net worth	50.56	12.32
EBITDA Margin (%)	0.23	-7.88
PAT Margin (%)	-24.74	-17.20
Overall Gearing Ratio (x)	4.71	16.91

Status of non-cooperation with previous CRA: India Ratings and Research (Ind-Ra) has affirmed Yadu Sugar Limited's Long-Term Issuer Rating at 'IND D (ISSUER NOT COOPERATING)' on May 06, 2019.

Any other information: N.A

Rating History for last three years:

S. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating (Reaffirmed)	Date(s) & Rating(s) assigned in 2018-19 (Dec 21, 2018)	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Fund Based Limits – Cash Credit	Long Term	90.00	IVR B/ Stable Outlook	IVR B/ Stable Outlook	-	-
2.	Fund Based Limits – Term Loan	Long Term	80.00	IVR B/ Stable Outlook	IVR B/ Stable Outlook	-	-
3.	Proposed – Fund Based	Long Term	-	-	IVR B/ Stable Outlook	-	-

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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Ravi Prakash Tel: (011) 24655636 Email: rprakash@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
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About Infomerics:

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Annexure 1: 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 - Term Loan	-	-	June, 2023	80.00	IVR B/ Stable Outlook
Long Term bank Facilities - Cash Credit	-	-	-	90.00	IVR B/ Stable Outlook