



Press Release

Cosmos Industries Limited

July 09, 2024

Rating

Facility	Amount (Rs. crore)	Current Rating	Previous Rating	Rating Action	Complexity Indicator
Long Term Facilities	46.61 (reduced from 50.31)	IVR D (IVR D)	IVR D (IVR D)	Reaffirmed	Simple
Total	46.61 (INR forty six crore sixty one lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed the rating assigned to the bank facilities of Cosmos Industries Limited (CIL). It reflects delays in debt servicing obligations by the company owing to poor liquidity position. The ratings are also constrained by an aggressive capital structure and weak coverage indicators, volatile operating margin and exposure to risk related to government regulations, exposed to vagaries of nature, cyclical nature of the sugar business. However, the rating also considers the experienced promoters, proximity to raw material suppliers & key markets.

Key Rating Sensitivities:

Upward Factors

- Regularization of delay for a period of 90 days on a continuous basis.

Downward Factors

- Not applicable

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

The promoters of CIL 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.



Press Release

Proximity to raw material suppliers & key markets

The nature of the relationship, which a sugar entity shares with the farming community in the command area, is a key measure of its operational strength. All the sugar mills have their own independent command area for procurement of sugarcane. CIL operates in a command area of 15 kilometre of district Dhuri, Punjab. CIL's sugar season starts during November, which usually gets over by March. As mandated by the state government, the firm has to harvest entire sugar cane in its command area during the sugar season.

Key Rating Weaknesses

Delay in debt servicing obligations

Regular delays in debt servicing obligation have been observed during the last few months which were driven by poor liquidity position of the company.

An aggressive capital structure and weak coverage indicators

The tangible net worth of the Company was Rs 8.90 crore against a total debt of Rs 109.51 crore, out of which long term debt was Rs 101.30 crore as on March 31, 2024(P). The overall gearing ratio was 4.42x on March 31, 2022, which increased drastically to 12.30x as on March 31, 2024(P). The TOL/TNW was 6.41x on March 31, 2022 which increased to 13.58x as on March 31, 2024(P). Interest coverage ratio stood negative at 0.11x in FY22 (refers to the period 1st April 2021 to 31st March 2022) which marginalised to 0.38x in FY24 (refers to the period 1st April 2023 to 31st March 2024) while the DSCR slightly improved from 0.13x in FY22 to 0.66x in FY24(P).

Volatile operating margin and exposure to risk related to government regulations

CIL 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.



Press Release

Exposed to vagaries of nature

Being an agro-based industry, performance of CIL is dependent on the availability of sugarcane crop and its yield, which may get adversely affected due to adverse weather conditions. The climatic conditions and pest related attacks have a bearing on the cane output, which is the primary feedstock for a sugar producer. Climatic conditions, to be precise the monsoons influence various operational strictures for a sugar entity, such as the crushing period and sugar recovery levels. In addition, the degree of dispersion of monsoon precipitation across the sugar cane growing areas also leads to fluctuating trends in sugar production in different regions.

Cyclical nature of the sugar business

The key parameters of the sugar supply in the domestic market for a given sugar season are typically controlled by factor like domestic sugar production, opening sugar stock levels and global sugar production and sugar imports. The industry is highly cyclical in nature because of variations in the sugarcane production in the country with typical sugar cycles lasting three five years, as production adjusts to the fall in prices, which in turn leads to lower supplies, price increase and higher production.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Company](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Poor

The liquidity position of the company remains poor since regular delays in the debt servicing obligations have been observed during the last few months.



Press Release

About the Company

Cosmos Industries Limited (CIL) was set up by one Yadav Family in 1998 at Dhuri, Sangrur district, Punjab and is engaged in the manufacturing of White Crystal Sugar with initial installed capacity of 3200 TCD and its by products such as Molasses, Bagasse. The company is having its Registered Office at Dhuri, Sangrur district, Punjab, Punjab. The day-to-day affairs of the company are being looked after by Sh. Kunal Yadav Managing Director of the company.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	55.47	25.58
EBITDA	(3.81)	2.31
PAT	(11.70)	0.10
Total Debt	106.80	109.51
Tangible Net Worth	8.80	8.90
EBITDA Margin (%)	(6.87)	9.03
PAT Margin (%)	(20.32)	0.33
Overall Gearing Ratio (x)	12.05	12.30
Interest Coverage (x)	(0.42)	0.38

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: India Ratings has continued the rating assigned to the bank facilities of Cosmos Industries Limited under "Issuer not cooperating" category vide press release dated 15th May 2024, due to non-cooperation from client.

Any other information: Nil



Press Release

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years			
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24		Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					July 06, 2023	May 10, 2023	-	Mar 24, 2022
1.	Guaranteed Emergency Credit Lines	Long Term	6.61	IVR D	IVR D	IVR D ISSUER NOT COOPERATING*	-	IVR B ISSUER NOT COOPERATING*
2.	Cash Credit	Long Term	40.00	IVR D	IVR D	IVR D ISSUER NOT COOPERATING*	-	IVR B ISSUER NOT COOPERATING*

**Issuer did not cooperate; based on best available information*

Analytical Contacts:

Name: Shantanu Basu	Name: Sandeep Khaitan
Tel: (033) 4803 3621	Tel: (033) 4803 3621
Email: shantanu.basu@infomerics.com	Email: sandeep.khaitan@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



Press Release

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Guaranteed Emergency Credit Lines	-	-	-	Mar 2026	6.61	IVR D
Cash Credit	-	-	-	-	40.00	IVR D

Annexure 2: Facility wise lender details: [Facility wise lender details Cosmos Industries Limited .pdf \(sharepoint.com\)](#)

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

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.