



## Press Release

### Parvati Sweetners and Power Limited

February 22, 2024

#### Ratings

Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	23.28	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	Assigned	Simple
<b>Total</b>	<b>23.28 (INR Twenty Three Crore and Twenty Eight Lakhs Only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Parvati Sweetners and Power Limited (PSPL) derive strength from the established track record of operations and experienced management, steady improvement in its scale of operations and profits, and comfortable capital structure and gearing ratios. However, these ratings strengths are partially constrained due to the working capital intensive nature of operations, intense competition and regional concentration of sales, and high dependency on monsoon rains.

#### Rating Sensitivities

##### Upward Factors

- Substantial improvement in the scale of operations and profitability margins.
- Substantial improvement in working capital cycle and liquidity position.

##### Downward Factors

- Significant reduction in scale of operations.
- Deterioration in debt protection metrics and overall gearing.
- Deterioration in working capital cycle and liquidity position.

#### Detailed Description of Key Rating Drivers



## Press Release

### **Key Rating Strengths**

#### **Established track record of operations and experienced management**

The Company commenced its operation in 2013 and has a successful track record of operation across Madhya Pradesh. The Founder Chairman of the Company has more than three decades of experience in the sugar industry; the other Directors also have experience of more than 15 years on an average. Long experience of the Directors and its established track record of operations strengthens the operational risk profile of the company.

#### **Steady improvement in its scale of operations and profits**

The Company's turnover has improved at a steady pace since FY21 – Revenues in FY21, FY22, and FY23 were Rs 58.54 crore, Rs 71.38 crore, and Rs 89.19 crore respectively. The increase in revenues in FY22 and FY23 were backed by increase in volume of sugar sold in these financial years. The company generated an absolute EBITDA of Rs. 8.76 crore in FY22. EBITDA for FY23 was Rs 9.49 crore. The EBITDA margin, however, decreased from 12.27% in FY22 to 10.63% in FY23 as the increase in price of sugarcane was at a higher rate compared to the increase in price of refined sugar. The Company generated a PAT of Rs.1.25 crore in FY22, and Rs 1.35 crore in FY23 and GCA of Rs 5.46 crore in FY22, and Rs 5.83 crore in FY23. The PAT margins like EBITDA margins dropped from 1.75% in FY22 to 1.51% in FY23. The margins continue to remain thin owing to the nature of industry and high interest cost.

The company generated a topline of Rs. 43.96 crore in 9MFY24 as compared to Rs. 68.20 crore in 9MFY23 witnessing a YoY growth of (35.54)%. The EBITDA witnessed a YoY growth of 0.32% which increased from Rs. 6.17 crore in 9MFY23 to Rs. 6.19 crore in 9MFY24. Trade purchases and sale of traded sugar were substantially reduced in 9MFY24 compared to 9MFY23. EBITDA margins increased in 9MFY24 to 14.08% from 9.04% in 9MFY23 because of increase in sugar realisations.

#### **Comfortable capital structure and gearing ratios**

The debt position of the Company improved significantly between FY21 and FY23 on account of decrease in external term loans, decrease in unsubordinated unsecured loans, and moderate cash credit utilisations. Further, the Company did a rights issue in FY23. A combination of reduced debt position and increase in share capital along with positive results



## Press Release

in FY23 improved the Overall Gearing ratio from 1.12x on March 31, 2022 to 0.52x on March 31, 2023. Total indebtedness as reflected by the TOL/TNW improved from 1.36x on March 31, 2022 to 0.63x on March 31, 2023.

### **Key Rating Weaknesses**

#### **Working capital intensive nature of operations**

Inventory management is crucial for Parvati Sweetners as it needs to maintain optimal inventory of sugar to meet the customer demand and unforeseen supply shortage. Instances of build-up of inventory normally take place during the year end. Accordingly, the average inventory period of the company stood at around 320 days in FY23 (~368 days in FY22). The average collection period and average creditor days stood at 22 days and 25 days respectively. Hence, the pressure on operating cycle was created by inventory build up and the operating cycle stood at 317 days in FY23 compared to 375 days in FY22.

#### **Intense competition and regional concentration of sales**

Although the Company's sales have grown steadily between FY21 and FY23, the fact remains that sugar manufacturing is an intensely competitive industry with limited pricing power. Besides, the industry is commoditised in nature, because of which the margins of the industry as a whole is not high. Further, the sales of the Company are restricted in the state of Madhya Pradesh, which exposes it to the risk of high geographical concentration.

#### **High dependency on monsoon rains**

The industry is highly dependent on monsoon rains for sugarcane availability. Too little rains or too much of rains affects the supply of sugarcane negatively, which ultimately affect the pricing of sugarcane adversely and the profitability of the Company to some extent.

**Analytical Approach:** Standalone

#### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Rating Methodology for Trading Companies](#)



## Press Release

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

[Criteria for assigning rating outlook](#)

### **Liquidity – Adequate**

The current ratio of the Company was 1.81x on March 31, 2023 and this ratio is expected to remain between 1.99x and 2.68x between March 31, 2024 and March 31, 2026. The expected cash accruals comfortably cover the debt repayments in FY24-26. However, the average working capital utilisation was high at 100% during the last 12 months ending in November 2023, which indicates a low liquidity cushion.

### **About the Company**

Parvati Sweetners and Power Ltd. is a sugar factory with cogeneration capabilities. It is one of the units operated by a business group called “LNCT Group”, one of the leading group in the Education Sector in Madhya Pradesh". The other group activities are Pharmaceuticals, Real Estate, Information Technology, and Government Projects in Madhya Pradesh.

The sugar factory is located at Village – Sankhini, Tehsil - Bhitwar, District - Gwalior 475220, (M.P.) in Dabra District in Madhya Pradesh. The factory is operational since 2013. Also, there is a multi-fuel boiler in operation which helps to generate power in offseason as well help to process raw sugar with higher capacity in off season too. The Area of Operation within the factory and cane cultivation is mostly irrigated by lifts, wells and small canals. The climate, soil, rains are favourable for sugarcane cultivation. The sugar factory is presently crushing at a rate of 2500 TCD with 3.75 MW cogeneration capabilities.

### **Financials (Standalone):**

**(Rs. crore)**

<b>For the year ended* / As on</b>	<b>31.03.2022</b>	<b>31.03.2023</b>
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	71.38	89.19
EBIDTA	8.76	9.49
PAT	1.25	1.35
Total Debt	77.57	51.72
Tangible Net Worth	69.13	99.97
EBDITA Margin (%)	12.27	10.63
PAT Margin (%)	1.75	1.51
Overall Gearing Ratio (x)	1.12	0.52

\*Classification as per Infomerics' standards



## Press Release

Status of non-cooperation with previous CRA: NA

Any other information: Nil

### Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	ECLGS	Long Term	3.12	IVR BB+/ Stable	-	-	-
2.	Term Loan	Long Term	0.89	IVR BB+/ Stable	-	-	-
3.	Dropline OD	Long Term	4.27	IVR BB+/ Stable	-	-	-
4.	Cash Credit	Long Term	15.00*	IVR BB+/ Stable	-	-	-

\*WCDL of Rs 14.00 Crore is a sub limit.

### Name and Contact Details of the Rating Analyst:

Name: Mr. Shantanu Basu Tel: (033) 46022266 Email: <a href="mailto:shantanu.basu@infomerics.com">shantanu.basu@infomerics.com</a>	Name: Mr. Sandeep Khaitan Tel: (033) 46022266 Email: <a href="mailto:sandeep.khaitan@infomerics.com">sandeep.khaitan@infomerics.com</a>
---	---

### 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



## Press Release

ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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 visit [www.infomerics.com](http://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: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
ECLGS 1	-	-	Sep 2024	0.54	IVR BB+/ Stable
ECLGS 2	-	-	Mar 2027	2.58	IVR BB+/ Stable
Term Loan	-	-	Dec 2027	0.89	IVR BB+/ Stable
Dropline OD	-	-	Jul 2026	4.27	IVR BB+/ Stable
Cash Credit	-	-	-	15.00*	IVR BB+/ Stable

\*WCDL of Rs 14.00 Crore is a sub limit.

**Annexure 2: List of companies considered for consolidated analysis: NA**



## Press Release

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-Parvati-Sweetners-feb24.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** 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](http://www.infomerics.com)

