



Press Release

Cosmos Industries Limited

July 06, 2023

Ratings

Facility/Instrument	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	50.31 (reduced from 62.00)	IVR D (IVR D)	Revised from IVR D ISSUER NOT COOPERATING* (IVR D Issuer Not Cooperating)	Simple
Total	50.31 (INR Fifty crores and thirty one lakhs only)			

*Issuer did not cooperate; based on best available information

Details of Facilities are in Annexure 1

Detailed Rationale

Earlier Infomerics had moved and continued the rating of Cosmos Industries Limited (CIL) into Issuer Not Cooperating category vide its press release dated March 24, 2022 and May 10, 2023 respectively due to non-submission of information required for detailed review of the Company. However, the Company has started cooperating and submitted required information. Consequently, Infomerics has removed the rating from 'ISSUER NOT COOPERATING' category and revised the ratings.

The rating revision assigned to the bank facilities of Cosmos Industries Limited (CIL) reflects delays in debt servicing obligations by the company owing to poor liquidity position. The ratings are also constrained by aggressive capital structure and poor 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



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- 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.

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 is driven by poor liquidity position of the company.

Aggressive capital structure and poor coverage indicators



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The tangible net worth of the Company was Rs 20.50 crore against a total debt of Rs 90.50 crore, out of which long term debt was Rs 53.42 crore as on March 31, 2022. The overall gearing ratio was 4.42x on March 31, 2022, which declined marginally from 4.21x on March 31, 2021. The TOL/TNW was 6.41x on March 31, 2022 compared to 5.64x on March 31, 2021. Interest coverage ratio stood negative at 0.11x in FY22 compared to 0.82x in FY21 while the DSCR deteriorated to 0.13x in FY22 compared to 0.56x in FY21.

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.

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:



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

[Rating Methodology for Manufacturing Company](#)

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

[Criteria of assigning Rating Outlook](#)

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.

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)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	83.09	63.80
PAT	(0.08)	(6.74)
Total Debt	114.64	90.52
Tangible Net worth	27.24	20.50
EBDITA Margin (%)	9.25	(1.38)
PAT Margin (%)	(0.10)	(10.10)
Overall Gearing Ratio (x)	4.21	4.42

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument/ Facilities		Current Rating (Year 2023-24)	Rating History for the past 3 years
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		Type	Amount outstanding (Rs. Cr.)	Rating	Rating (May 10, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22 (March 24, 2022)	Date(s) & Rating(s) assigned in 2020-21 (Dec 28, 2020)
1.	Guaranteed Emergency Credit Line	Long Term	10.31	IVR D	IVR D ISSUER NOT COOPERATING*	-	IVR B/ISSUER NOT COOPERATING*	IVR B+/Stable
2.	Cash Credit	Long Term	40.00	IVR D	IVR D ISSUER NOT COOPERATING*	-	IVR B/ISSUER NOT COOPERATING*	IVR B+/Stable

*Issuer did not cooperate; based on best available information

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About Infomerics Ratings:

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.

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.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Guaranteed Emergency Credit Line	-	-	March 2026	10.31	IVR D
Cash Credit	-	-	-	40.00	IVR D

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-cosmos-jul23.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

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.