



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Yadu Sugar Limited

December 21, 2018

Rating

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities	170	IVR B/ Stable Outlook (IVR Single B with Stable Outlook)	Assigned
Total	170		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating draws comfort from the extensive experience of its promoters in the sugar industry. These strengths are partially offset by customer concentration risk in the Company's revenue profile, volatility in its operating margin and exposure to risk related to government regulations, weak debt protection metrics and stretched liquidity. Scale of operations, profitability and capital structure are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

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 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.

Infomerics Valuation And Rating Pvt. Ltd.

Key Rating Weaknesses

Customer concentration in revenue profile

YSL is exposed to customer concentration risk in its revenue profile as it derives ~62 per cent of its revenue from top 5 customers (including UPPCL which comprised ~14.8 per cent of its revenue in FY18). Further, top 3 customers contributed ~ 42 per cent to its sales in FY18. 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.

Stretched liquidity

The Company has stretched liquidity as reflected in high utilization of its bank limits for the twelve months through Oct 2018. Further, YSL is expected to generate modest accruals going forward against which it has sizeable repayment obligations. Though the liquidity is supported by financial support from promoters, it is likely to remain tight over the medium term.

Weak debt protection parameters

The debt protection metrics of the Company witnessed significant deterioration in FY18 on account of the large loss incurred during the year. This is reflected in interest cover of 0.01x as on March 31, 2018 as against 2.00x as on March 31, 2017.

Analytical Approach &Applicable Criteria:

Standalone

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Default recognition and post-default curing period

Infomerics Valuation And Rating Pvt. Ltd.



Liquidity

The Company's bank limits remained highly utilized for the twelve months through Oct 2018. Further, YSL is expected to generate modest accruals going forward against which it has sizeable repayment obligations. Though the liquidity is supported by financial support from promoters, it is likely to remain tight over the medium term.

About the Company

Yadu Sugar Limited (YSL) was incorporated on 8th May, 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):

(Rs. crore)		
For the year ended*	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	364.37	168.15
EBITDA	54.38	0.39
PAT	30.06	-43.20
Total Debt	237.08	249.96
Tangible Net worth	86.81	55.07
EBITDA Margin (%)	14.92	0.23
PAT Margin (%)	8.24	-24.74
Overall Gearing Ratio (x)	2.73	4.54

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:Nil

Any other information: Nil

Infomerics Valuation And Rating Pvt. Ltd.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits – Cash Credit	Long Term	90.00	IVR B/ Stable Outlook	-	-	-
2.	Long Term Fund Based Limits – Term Loan	Long Term	73.7	IVR B/ Stable Outlook	-	-	-
3.	Proposed	Long Term	6.30	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: Ms. Aakriti Sachdeva

Tel: (011) 2465 5636

Email: asachdeva@infomerics.com

About Infomerics:



Infomerics Valuation And Rating Pvt. Ltd.

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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, suspend 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
Long Term Bank Facilities – Cash Credit	-	-	-	90.00	IVR B/ Stable Outlook
Long Term Bank Facilities – Term Loan	-	-	December 2022	73.7	IVR B/ Stable Outlook
Proposed	-	-	-	6.30	IVR B/ Stable Outlook