

CARE/JRO/RL/2018-19/1979

Mrs. Poonam Chouksey
Director
Parvati Sweetners and Power Limited
19/1, Naroli Arcade, First Floor,
Manorama Ganj, Near Palasia Sqaure, Indore (M.P)

February 20, 2019

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY18 (A), our Rating Committee has reviewed the following ratings.

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	15.00	CARE BB; Stable (Double B; Outlook: Stable)	Reaffirmed
Total facilities	15.00 (Rs. Fifteen crore only)		

2. Refer Annexure 1 for details of rated facilities.
3. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you at the earliest, we will proceed on the basis that you have no any comments to offer.
4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,
Yours faithfully,



[Taanisha Sharma]

Dy. Manager

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Encl.: As above



[Abhishek Kumar Jain]

Manager

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Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is 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 CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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CARE Ratings Limited

(Formerly known as Credit Analysis & Research Limited)

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure 1

Details of Rated Facilities

1. Long-term Bank Facilities

1. A Fund based limits

(Rs. Crore)

S. No.	Name of the Bank	Fund Based Limits		
		Cash Credit	Others	Total fund-based
1.	Punjab National Bank	15.00	-	15.00
	Total	15.00	-	15.00

Total long-term facilities (1): Rs. 15.00 crore

Total Facilities (1) - Rs. 15.00 crore

**Annexure 2
Press Release**

Rating

Facilities	Amount (Rs. crore)	Rating ²	Rating Action
Long-term Bank Facilities	15.00	CARE BB; Stable (Double B; Outlook: Stable)	Reaffirmed
Total facilities	15.00 (Rs. Fifteen crore only)		

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Parvati Sweetners and Power Limited (PSPL) continues to remain constrained on account of moderate solvency position, working capital intensive nature of operations during seasonal period being seasonal nature of the business and vulnerability of operations to regulatory risk and market volatility. The rating, further, constrained on account of debt funded project undertaken by the company.

The rating, however, continues to derive strength from experienced promoters with continuous growth in Total Operating Income (TOI) in last three financial years ended FY18 (FY refers to the period from April 01 to March 31) and moderate profitability margins. The rating, further, derive strength from comfortable net-worth base owing to successful merger of Dollex Industries Limited (DIL) with PSPL.

The ability of the company to increase its scale of operations while maintaining profitability margins along with timely completion of project undertaken within the envisaged cost and time parameter would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Moderate solvency position

The capital structure of PSPL stood moderate with an overall gearing ratio of 1.27 times as on March 31, 2018, improved from 3.09 times as on March 31, 2017 owing to higher proportionate increase in tangible net worth than in total debt of the company. Net-worth base of the company has improved owing to successful merger of DIL with PSPL. However after adjusting the advances recoverable in cash or in kind amounting to Rs.22.68 crore from net-worth; the overall gearing stood moderate at 2.10 times as on March 31, 2018.

Further, the debt coverage indicators stood moderate with Total debt to GCA of 14.41 times as on March 31, 2018 and interest coverage ratio stood at 2.57 times in FY18.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Working capital intensive nature of operations

Being present in the manufacturing of sugar industry which is a seasonal nature, the business of the company is working capital intensive in nature with elongated working capital cycle at 147 days in FY18, deteriorated from 110 days in FY17 owing to increase in inventory holding period of the company. Due to seasonal nature of the business, the company generally gets advance payment from its dealers and stood at 5-15 days with creditors period of 25-90 days. The liquidity ratios remained moderate with current ratio and quick ratio at 2.10 times and 1.22 times respectively as on March 31, 2018 owing to high inventory holding period. Working capital limit are generally utilized high during the season i.e. from November to March and reduces during off-season.

Project Implementation risk

PSPL is planning to undertake an expansion project to increase its installed capacity by 25,000 metric tonne with an envisaged cost of Rs.35 crore to be funded through term loans and promoter's contribution; however financial closure is yet to be achieved.

Key Rating Strengths

Experienced promoters with change in management

PSPL was initially incorporated by the Chouksey and Khan family. However during the current year, the Khan family is planning to exit from the company and Chouksey family looks after the overall affairs of PSPL. Mr Anupam Chouksey, director, has more than a decade of experience in the sugar industry. He looks after overall affairs of the company and is assisted by Mr Poonam Chouksey who looks after the administration function of the company.

Successful Merger of Dollex Industries Limited (DIL) with PSPL

After the approval from National Company Law Tribunal (NCLT), the amalgamation of DIL with PSPL has been accounted for under the amalgamation in the nature of merger as per Accounting Standard-14. As per the scheme, appointed date as approved by NCLT is January 19, 2018 and effective date being February 09, 2018.

Under this scheme, DIL merged into PSPL where the listing of DIL was suspended and PSPL was listed on BSE on May 24, 2018. Further, PSPL allotted 3,68,63,917 equity shares of the face value of Rs.5/- each provided that 1 fully paid up equity shares of Rs.5/- each of PSPL against every 0.97 shares of Rs. 5/- each held in DIL on the record date i.e February 09, 2018.

Furthermore, for this purpose during FY18, shares of PSPL which were of face value of Rs.10 each were converted into two shares of Rs.5 each fully paid up resulting in increase in share capital by Rs.16.99 crore.

Continuous growth in Total Operating Income (TOI)

During FY18, TOI witnessed a growth of around 16.98% y-o-y owing to increase in income from sale of cane seeds. During FY18, it has generated 92.43% from sale of sugar and 6.92% from sale of by-products. The company registered a TOI of Rs.43.55 crore with PBILDT and PAT margin of 13.84% and 0.49 in 9MFY19.

Moderate Profitability margins

The profitability margins of PSPL remained moderate marked by PBILDT and PAT margin of 13.90% and 2.43% respectively in FY18 as against 16.00% and 1.74% respectively in FY17 respectively. PBILDT margin has declined in FY18 owing to mainly due to increase in cost of raw-material consumed which offset to an extent by decrease in cost of director's remuneration. Further, Gross Cash Accruals (GCA) of the company has decreased by 7.74% over FY17 and registered moderate GCA of Rs.4.98 crore in FY18

Analytical Approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Rating Methodology-Manufacturing Companies

Financial ratios – Non-Financial Sector

Background of the Company

Indore (Madhya Pradesh) based Parvati Sweetners and Power Private Limited (PSPL) was incorporated in 2011 by Mr. Mehmood Khan and Mrs. Poonam Chouksey along with associate concerns. Subsequently, the constitution of the company was changed to public limited company in January, 2012. PSPL is engaged in the business of manufacturing and refining of sugar. The company sells both sugar along with its byproducts i.e. Molasses, Bagasse and Press Mud. The plant of the company is located at Gwalior with an installed capacity of 25,000 Metric Tonne Per Annum as on March 31, 2018.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	51.10	59.78
PBILDT	8.18	8.31
PAT	0.89	1.45
Overall gearing (times)	3.08	1.26
Interest coverage (times)	3.23	2.57

Status of non-cooperation with previous CRA: Nil

Any other information: None

Rating History for last three years: Please refer Annexure-2

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Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an *External Credit Assessment Institution (ECAI)* by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is 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 CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	15.00	CARE BB; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	15.00	CARE BB; Stable	-	1)CARE BB; Stable (22-Mar-18)	1)CARE BB (12-Oct-16)	-