

## Rating Advisory

January 18, 2021 | Mumbai\_\_\_\_\_

### Gayatri Sugars Limited

#### Advisory as on January 18, 2021

This rating advisory is provided in relation to the rating of Gayatri Sugars Limited

The key rating sensitivity factors for the rating include:

#### Upward factors

- Track record of timely servicing of debt for more than 90 days
- Sustained improvement in financial risk profile, especially liquidity

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Gayatri Sugars Limited (GSL) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, [https://www.crisil.com/content/dam/crisil/criteria\\_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf](https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf))

If GSL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

#### About The Company

GSL, based in Hyderabad, was set up by Ms Indira Subbarami Reddy, Mr Sandeep Reddy, and Ms Sarita Reddy in 1995. It manufactures white crystal sugar and rectified spirit/extra neutral alcohol. It is also involved in the power generation business. The company is listed on the Bombay Stock Exchange (BSE).

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## Rating Rationale

October 23, 2019 | Mumbai

### Gayatri Sugars Limited

*Rating Reaffirmed*

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.136 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL D (Reaffirmed)</b>

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has reaffirmed its 'CRISIL D' rating on the long-term bank facilities of Gayatri Sugars Limited (GSL).

The rating continues to reflect delays by the company in servicing its debt obligations.

The rating also takes into account GSL's weak financial risk profile, large working capital requirement, and exposure to risks arising from the regulated nature of the sugar industry. These weaknesses are partially offset by the extensive experience of the promoters.

#### Key Rating Drivers & Detailed Description

\* **Delays in servicing debt obligations:** Insufficient cash accrual has led to weak liquidity, and thus, delayed servicing of interest and principal obligation. The cash credit limit has also been fully utilised.

#### **Weaknesses**

\* **Average financial risk profile:** Financial risk profile is weak. Networth and gearing were negative Rs 94.71 crore and 2.27 times, respectively, as on March 31, 2019. Debt protection metrics were also subdued, with interest coverage and net cash accrual to total debt ratios of around 0.6 time and 0.07 time, respectively, in fiscal 2019.

\* **Large working capital requirement:** Operations are working capital intensive, with gross current assets of 189 days as on March 31, 2019, driven, in turn, by inventory of around 147 days.

\* **Exposure to regulatory risks in the sugar industry:** The sugar industry in India is regulated by several governmental policies, including sugarcane prices, export and import of sugar, and the sugar release mechanism. These regulations constrain the credit quality of players in the industry.

#### **Strength**

\* **Extensive experience of the promoters:** Benefits from the promoters' experience of two decades should continue to support business risk profile.

#### Liquidity: Poor

Liquidity is poor because of continuous losses, which have completely eroded networth. Net cash accrual has remained insufficient against maturing debt in the 4 fiscals ended 2019. Moreover, the cash credit limit has remained fully utilised, with significant delays in interest servicing. Current ratio was weak at 0.58 time on March 31, 2019.

## Rating sensitivity factors

### **Upward factor**

- \* Track record of timely servicing of debt for more than 90 days
- \* Sustained improvement in financial risk profile, especially liquidity

## **About the Company**

GSL, based in Hyderabad, was set up by Ms Indira Subbarami Reddy, Mr Sandeep Reddy, and Ms Sarita Reddy in 1995. It manufactures white crystal sugar and rectified spirit/extra neutral alcohol. It is also involved in the power generation business. The company is listed on the Bombay Stock Exchange (BSE).

## Key Financial Indicators

Particulars	Unit	2019	2018
Revenue	Rs crore	311.9	251.1
Profit after tax (PAT)	Rs crore	(26.3)	12.96
Profit margin	%	(8.4)	5.2
Adjusted debt / adjusted networkth	Times	(2.27)	(3.4)
Interest coverage	Times	0.6	2.1

**Any other information:** Not applicable

## **Note on complexity levels of the rated instrument:**

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## Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	67.59	CRISIL D
NA	Long Term Loan	NA	NA	July-2021	5.22	CRISIL D
NA	Long Term Loan	NA	NA	Dec-2020	4.75	CRISIL D
NA	Long Term Loan	NA	NA	Aug-2021	2.94	CRISIL D
NA	Long Term Loan	NA	NA	Aug-2021	3.24	CRISIL D
NA	Long Term Loan	NA	NA	Aug-2021	0.76	CRISIL D
NA	Long Term Loan	NA	NA	Jun-2020	0.55	CRISIL D
NA	Long Term Loan	NA	NA	Aug-2021	3.28	CRISIL D
NA	Proposed Long-Term Bank Loan Facility	NA	NA	NA	47.68	CRISIL D

## Annexure - Rating History for last 3 Years

		Current		2019 (History)		2018		2017		2016		Start of 2016
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	136.00	CRISIL D			21-09-18	CRISIL D	12-09-17	CRISIL D	06-01-16	CRISIL D	CRISIL D

All amounts are in Rs.Cr.

## Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	67.59	CRISIL D	Cash Credit	67.59	CRISIL D
Long Term Loan	20.73	CRISIL D	Long Term Loan	47.13	CRISIL D
Proposed Long Term Bank Loan Facility	47.68	CRISIL D	Proposed Long Term Bank Loan Facility	21.28	CRISIL D
Total	136	--	Total	136	--

## Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

## [Rating Criteria for Sugar Industry](#)

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