



## Press Release

**Sir Shadi Lal Enterprises Limited**

**September 25, 2021**

### Rating

SI. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Bank Facilities- Long Term	145.00	IVR B+/ Stable Outlook (IVR Single B plus with Stable Outlook)
	Total	145.00	

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The rating assigned to the bank facilities of Sir Shadi Lal Enterprises Limited derives comfort from its experienced promoter and senior management with long track record, established position in the industry and consistently increasing operating income. However, the rating strengths are partially offset by negative tangible net worth, declining debt protection metrics and exposure to risks associated with the agro-based nature of products.

### Key Rating Sensitivities

#### - Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis, which is significantly higher than expectations.

#### - Downward Factors

- Decline in profitability due to any company or industry related factors leading to deterioration in debt protection metrics
- Deterioration in the capital structure with substantial increase in gearing ratio and deterioration in interest coverage.
- Any adverse government regulations



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### List of Key Rating Drivers with Detailed Description

#### A. Key Rating Strengths

##### **Experienced promoters and management:**

The company have established presence in the industry since 1933. The directors are well qualified and have extensive experience in the business. The director are well assisted by a team of professionals having relevant industry experience in the day-to-day operations. Long-standing presence of the promoters in the industry has helped the company to establish healthy relationship with its customers and suppliers and to get repetitive orders from its customers.

##### **Locational advantage:**

The manufacturing plant is located in Shamli, Uttar Pradesh which is easily accessible to many sugarcane producing districts. The presence in sugarcane growing area gives a competitive advantage in terms of easy availability of sugarcane, lower freight, and favorable pricing terms.

##### **Consistently increasing operating incomes:**

The total operating income of the company has witnessed an increasing trend with a CAGR of ~8% during FY18-FY21. The total operating income has grown from Rs. 391.56 cr. in FY 18 to Rs. 549.25 cr in FY21. The company has witnessed rise in revenue for both the sugar division as well as the distillery division

#### B. Key Rating Weaknesses

##### **Agro Climatic factors:**

Sugarcane is the key raw material which is a kharif crop, depends on monsoon and availability of irrigation. Any adversity on the timely and adequacy of rainfall, given the highly uneven pattern of rainfall observed in the past few years, would drastically affect the availability and price of sugarcane, thereby affecting profitability of the business.



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### **Regulatory Risks:**

The industry is highly regulated with inability to pass increased costs to buyers and lack of control over input prices. Profitability remains vulnerable to government regulations on input prices, finished goods prices via domestic sale quota, import and export restrictions, pricing of power produced etc. The company is exposed to regulatory risks and commodity price risks due to its nature of operations. Adverse price movement of input raw cane and finished products due to regulatory guidelines without adequate compensation, would impact operating margins of the company and affect its debt servicing capability. Further, payment of cane prices is subject to political guidelines, whereas recovery of sale revenues would be market linked. This is likely to cause liquidity mismatches in the business operations of the company.

### **Cyclical nature of the sugar business:**

The key parameters of the sugar supply in the domestic market for a given sugar season is 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 to 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:**

Rating Methodology for Manufacturing companies

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity: Stretched**

The company has a stretched liquidity marked by a negative GCA with debt repayment of Rs 16 crore as on March 31, 2021. SSLEL, the average utilisation of its working capital limit was highly utilised at ~96% in the last 12 months ended on July 2021 indicating stretched liquidity. The Current Ratio stood stretched 0.56 x as of March 31, 2021. The company is expected to generate cash accruals in the range of Rs.68-80 crore as against its debt



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servicing obligation of Rs.16 to 24 crore FY22-24 attributable to low long-term debt in its capital structure.

### About the Company

Sir ShadiLal Enterprises Limited was established in the year 1933 under the name "The Upper Doab Sugar Mills Limited" by the Rt.Hon'ble Sir ShadiLal. The name of company was changed to Sir Shadilal Enterprises Limited in the year 1982. At present the Company has two manufacturing units comprising of one sugar unit (namely Upper Doab Sugar Mills, Shamli, District - Shamli, Uttar Pradesh – 247776) and one distillery unit (namely Shamli Distillery & Chemical Works, Shamli, District - Shamli, Uttar Pradesh – 247776)

### Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	497.17	549.25
EBITDA	30.01	2.84
PAT	2.86	-14.29
Total Debt	186.25	169.55
Tangible Net worth	-164.16	-178.28
EBITDA Margin (%)	6.04	0.52
PAT Margin (%)	0.57	-2.59
Overall Gearing Ratio (x)^	-1.13	-0.95

\*classification as per Infomerics standard

**Status of non-cooperation with previous CRA:** Issuer was moved to non co-operation category by CRISIL vide press release dated Jan 31, 2021 due to non-availability of information.

**Any other information:** Nil

### Rating History for last three years

Sr. No.	Name of Instrument/	Current Ratings (Year 2021-22)	Rating History for the past 3 years



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	Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Facility- Term Loan	Long Term	74.00	IVR B+/ Stable Outlook (IVR Single B Plus with Stable Outlook)	-	-	-
2.	Long Term Fund Based Facility- Cash Credit	Long Term	71.00	IVR B+/ Stable Outlook (IVR Single B Plus with 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](http://www.infomerics.com).

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### About Infomerics:

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.

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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- Term Loan	-	-	-	74.00	IVR B plus/ Stable Outlook (IVR Single B plus with Stable Outlook)
Long Term Bank Facilities – CC Limit	-	-	-	71.00	IVR B plus/ Stable Outlook (IVR Single B pluswith Stable Outlook)

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

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

<https://www.infomerics.com/admin/prfiles/Lender-25-09-21-SSLEL.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

### Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Long Term Bank Facilities- Term Loan	Simple
2.	Long Term Bank Facilities – CC Limit	Simple

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