



## Press Release

### Swaraj Green Power and Fuel Limited

May 08, 2023

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Issuer Rating	--	-	Withdrawn*	Simple
Long Term Bank Facilities	688.50	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	10.00	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
<b>Total</b>	<b>698.50</b>	<b>Rupees Six hundred ninety-eight crore and fifty lakh Only</b>		

*\*Issuer rating has been withdrawn at the request of the company in line with Withdrawal policy of Infomerics*

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Swaraj Green Power and Fuel Limited continues to draw comfort from extensive experience of promoters in the sugar industry, healthy operating performance, satisfactory financial risk profile along with proximity to sugar cane growing area and moderate recovery rate. However, these strengths are constrained by working capital intensive nature of operations, exposure to risk related to government regulations, agro climatic factors, cyclical and regulated nature of sugar industry and risk related to on-going projects.

#### Key Rating Sensitivities:

##### Upward Factors

- Substantial and sustained growth in operating income and improvement in profitability
- Sustenance of the capital structure and improvement in debt protection metrics



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- Timely completion of ongoing projects without any cost overrun while achieving envisaged income and profitability.

### **Downward Factors**

- Moderation in operating income and/or cash accrual or deterioration in operating margin, any stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure affecting the financial risk profile, particularly liquidity.
- Significant cost and time overruns in the case of ongoing projects leading to delay in achieving envisaged income and profitability.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Extensive experience of the promoters in the sugar industry**

The management has been engaged in the sugar business for several decades; the commercial operations was started in the year 2014-15, with capacity of 2000 Tonnes Crushed per Day (TCD). Since then, the company has survived several downturns and has grown its scale to 5000 TCD and distillery unit with capacity of 60 KLPD. The company is in the process of expanding it's capacity of distillery unit to 500 KLPD, expected to be commissioned by May 2023.

##### **Proximity to sugar cane growing area and moderate recovery rate**

The primary raw material, sugarcane, is available in abundant quantity in nearby area. The presence in sugarcane growing area gives a competitive advantage in terms of easy availability of quality sugarcane and lower freight. The recovery rate of the company remained moderate at 8.99% with a recovery of molasses at 4.85% and bagasse recovery at 27.50% in FY22 as against 8.65%, 4.34% and 27.45% respectively in FY21.



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### Healthy Operating Performance

Total operating income (TOI) has increased by ~155.46% to Rs.811.13 crore in FY2022 (Audited) from Rs.317.52 crore in FY2021 on account of increase in trading of sugar. Despite increase in scale of operation, the EBITDA margin of the company declined significantly by 1162 bps and stood at 9.66% in FY22 as against 21.28% in FY21 mainly on account of higher proportion of trading income, which fetches lower margins, in TOI. Further with decline in EBITDA margins, PAT margin also declined by 105 bps and stood at 2.12% in FY22 as against 3.16% in FY21. The company has reported PAT of Rs.17.39 crore in FY2022 (Audited) as against Rs.10.46 crore in FY2021. Gross Cash accruals increased to Rs. 54.62 crore in FY22 as against Rs. 50.58 crore in FY21. The company has reported PAT of Rs. 31.85 crore on total operating income of Rs. 838.77 crore in 11MFY23 as against PAT of Rs. 14.59 crore on total operating income of Rs. 642.89 crore in 11MFY22.

### Satisfactory financial risk profile

The company's tangible net worth increased to Rs 184.68 crore as on March 31, 2022 as against Rs 109.30 crore as on March 31, 2021 mainly on account of infusion of preference share capital of Rs.58 crore by the promoter and accretion of profits to reserves. The overall gearing of the company stood moderate at 2.57x as on March 31, 2022 improved from 3.64x as on March 31, 2021. Total indebtedness of the company as reflected by TOL/TNW remained moderately high at 3.82x as on March 31, 2022 improved from 5.45x as on March 31, 2021. Moreover, the debt protection Indicator of the company stood moderate with interest service coverage of 2.72x in FY22 as against 2.38x in FY21. Total debt to GCA stood high at 8.71x as on March 31, 2022 deteriorated from 7.86x as on March 31, 2021.

### Key Rating Weaknesses



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### **Agro Climatic factors**

Sugarcane is the key input into the sugar industry and is dependent on timely monsoons. Any adversity on the timely and adequacy of rainfall, given highly uneven pattern of rainfall observed in the last few years, would drastically affect the availability and price of raw material thereby affecting profitability of the company.

### **Working capital intensive nature of operations**

The operations in sugar and ethanol sector are working capital intensive. The working capital cycle of the company is elongated and stood at 157 days largely driven by high inventory of around 135 days, because of seasonal nature of business (crop season from October to April) and hence there is a peak build-up of sugar inventories at the fiscal end for sale next year, resulting in peak working capital requirements.

### **Exposure to risk related to government regulations**

The Sugar industry is highly exposed to risks related to Government regulations. Various Government Acts virtually govern all aspects of the business, which include the availability and pricing of sugarcane, sugar trade and by – product pricing. The procurement of sugarcane by the sugar entities is governed by the Sugarcane (Control) Order, 1966, which stipulates that the mills need to source their sugarcane only from the command area allocated to them. The order also makes it mandatory for the sugar mill to necessarily uplift the entire sugarcane production of the farmer, irrespective of the market demand, which has a considerable impact on the inventory holding pattern.

### **Cyclical and regulated nature of sugar industry**

The industry is cyclical by nature and is vulnerable to the government policies for various reasons like its importance in the Wholesale Price Index (WPI) as it classifies as an essential commodity. The government on its part resorts to various regulations



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like fixing the raw material prices in the form of State Advised Prices (SAP) and Fair & Remunerative Prices (FRP). All these factors impact the cultivation patterns of sugarcane in the country and thus affect the profitability of the sugar companies.

### **Risk related to ongoing projects**

The Company is setting up an additional 440 KLPD capacity of distillery plant to produce ethanol in the same existing plant and do some modernisation/upgradation in the sugar plant. The total cost of project is Rs. 361.90 crore, which will be funded through bank term loan amounting Rs. 334.70 crore and remaining Rs. 27.20 crore through promoters' contribution. COD is expected in end of May 2023. Till December 31, 2022, total cost incurred amounts to Rs. 167.41 crore, which was funded through term loan of Rs. 148.41 crore and remaining through promoters' contribution. Further, the company has proposed another project to set up 350TPD Press Mud Plant which shall generate 12TPD of Compressed Biogas (CBG), 50TPD of Solid Fertilizer and 250TPD of Liquid Fertilizer along with additional co-generation capacity of 10MW. The estimated cost is Rs.76.75cr which will be funded through term loan of Rs. 53.00 crore and remaining Rs. 23.75 crore through promoters' contribution. The company is planning to set up the co-generation capacity plant in 2 phases. Phase one of 5MW is expected to start in FY24 and Phase 2 with the remaining 5MW is expected to start in FY25. Any delay in construction will adversely affect future revenue and cash accrual, therefore, the same remains a key rating driver over the medium term. Timely completion of ongoing projects without any cost overrun while achieving envisaged income and profitability will be crucial.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

[Rating Methodology for Trading Companies](#)

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

[Criteria of assigning rating outlook](#)





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[Policy on withdrawal of Ratings](#)

### **Liquidity – Adequate**

**Comments on liquidity:** The company's liquidity is adequate marked by 82.80% average utilisation of fund-based limits during the past 12 months ended March 2023. Further, the company expects sufficient cushion in cash accruals against its debt repayments for the next 3 years. The company has a Current Ratio and quick ratio of 1.45x and 0.64x as of March 31, 2022, respectively. The Unencumbered cash and bank balance of company stood at Rs.3.50 Crores as on March 31, 2023. The Working Capital Cycle of the company stood elongated at 157 days in FY22 although improved from 305 days in FY21 on account of decline in collection period and inventory holding period with an increase in scale of operations.

### **About the Company**

Swaraj Green Power & Fuel Ltd. (SGPFL) (erstwhile known as Swaraj India Agro Ltd) was incorporated in 2010 by Mr. Ranjeet Singh Naik Nimbalkar. The company is engaged in business of sugar manufacturing along with allied products. The factory is fully integrated in nature which comprises of installed sugar crushing capacity of 5000 TCD, cogeneration unit of 19.50 MW and distillery unit of 60 KLPD. The fully integrated plant of the company is located in Phaltan Taluka of Satara District of Maharashtra state. The entire integrated unit is spread over 87.50 Acres of Land in Phaltan, Satara.

### **Financials (Standalone):**

For the year ended/As on*	30-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	317.52	811.13
EBITDA	67.57	78.35
PAT	10.46	17.39
Total Debt	397.33	475.48
Tangible Net Worth	109.30	184.68
<b>Ratios</b>		



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EBITDA Margin (%)	21.28	9.66
PAT Margin (%)	3.16	2.12
Overall Gearing Ratio (x)	3.64	2.57

\*Classification as per infomerics' standards

**Status of non-cooperation with previous CRA:** Brickwork Ratings has continued to classify the rating of SGPFL under the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated December 15, 2022.

**Any other information:** Not Applicable

### Rating History for last three years:

Sr. No	Name of Instrument/ Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Date(s) & Rating(s) (May 08, 2023)	Date(s) & Rating(s) assigned in 2021-22		Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
					(Feb 22, 2022)	Feb 09, 2022		
1.	Term Loan	Long Term	402.50	IVR BBB/ Stable	IVR BBB/ Stable	-	--	--
2.	Cash Credit	Long Term	286.00	IVR BBB/ Stable	IVR BBB/ Stable	-	--	--
3.	Bank Guarantee	Short Term	10.00	IVR A3+	IVR A3+	-	--	--
4.	Issuer Rating	Long Term	-	Withdrawn	-	BBB(IS)/Stable	-	-

### Name and Contact Details of the Rating Analyst:

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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com).

**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, 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.





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### 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 Facility-Term Loan	-	-	Sep 2029	402.50	IVR BBB/Stable
Long Term Bank Facility-Cash Credit	-	-	-	286.00	IVR BBB/Stable
Short Term Bank Facility- BG	-	-	-	10.00	IVR A3+

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

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

<https://www.infomerics.com/admin/prfiles/Len-SwarajGreen-may23.pdf>

**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](http://www.infomerics.com).