Press Release

Shri Dutt India Private Limited (SDIPL)

September 30, 2021

Ratings:

(INR Crore)

Instrument / Facility	Amount	Ratings	Rating Action
Long Term -Fund Based - Term Loan	91.00 (Increased from 20.00)	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	Rating Revised
Long Term -Fund Based - EPC/ PCFC	140.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook	Rating Revised
Long Term -Fund Based - Cash Credit	110.00 (Reduced from 121.00)	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook	Rating Revised
Long Term -Fund Based - Warehouse Loan	90.00 (Reduced from 150.00)	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook	Rating Revised
Short Term Non - Fund Based - Bank Guarantee	10.00	IVR A3+ (IVR A Three Plus)	Rating Revised
Short Term-Non - Fund Based - Derivative/ FC	5.77	IVR A3+ (IVR A Three Plus)	Rating Revised
Total	**446.77**		

Details of Facilities are in Annexure 1

Detailed Rationale:

The revision in the rating to the bank facilities of SDIPL reflects overall improvement in the operational & financial parameters of the company in FY21 and expected improvement in FY22.

Further the ratings continue to derive strength from its experienced promoters, established market position and diversified product profile, improving scale of operation, Improved capital structure and debt protection metrics and government's measure to support sugar prices. However, the rating strengths are partially offset by Exposed to vagaries of nature and cyclical nature of the business, exposure to risk related to government regulations.

Key Rating Sensitivities:

Upward Factors:

- Sustained improvement in the revenue and debt protection parameters while maintaining the profitability.

Downward Factors:

- Significant decline in revenue & profitability due to any company or industry related factors leading to deterioration in debt protection metrics

Key Rating Drivers with detailed description

Key Rating Strengths:

Experienced Promoters:

SDIPL's promoters are in sugar trading business for more than three decades. Mr. Premji Ruparel who is a founder director of SDIPL has vast experience and wide knowledge in the field of sugar industry and this has helped SDIPL to grow into a large establishment over a period of time. Under his Directorship SDIPL has established as one of the key suppliers of free market sugar in the local market. Further second generation of family Ms. Priti Ruparel (Daughter, Mr. Premji Ruparel) has around three decades' experience. She has been on the board of SDIPL since Incorporation. Her vast experience of business and capabilities of Business Management has significantly contributed to the company's growth. Another director Mr. Jitender Dharu has more than 17 years of working experience and has been awarded as youth icon of sugar industry, by Bhartiya Sugar Symposium and Award Night 2019." Presently he is heading the marketing and procurement of material for SDIPL.

Established market position and diversified product profile:

Shri Dutt India Private limited is primarily engaged in trading of sugar in both domestic and international market. In last 2-3 years SDIPL has ventured into manufacturing activities of Sugar, Milk and Distillery Plant either through acquisition or taking the unit on lease. Though, the company was incorporated in 2012 but in the short span it has become an active member of "The Refined Sugar Association" & "The Sugar Association of London" both of which regulates the sugar trade in International Market and thus created a niche for itself. Total revenue from sugar exports amounted to around INR 3,150.00 Crore in FY21.

Improving scale of operation:

There is a Y-O-Y increase of ~70% in operating revenue of SDIPL in FY21 (Provisional). The revenue has increased to INR 3,750.61 Crore in FY21 as compared to INR 2,207.68 in FY20. Sugar trading constitutes major share in the total revenue of company in all the past 3 year. Moreover, share of sugar trading in FY21 has been in line in FY20 due to surge in exports. Share of trading is around 85% in total revenue in FY21 as compared to 87% in FY20. There is a slightly decline in both PAT Margin and EBITDA Margin in FY21 as compared to last years.

For the 5 months ended August 2021 the company has achieved revenue of INR 2,236.23 Crore (5M FY 20: INR 1,840.87 Crore), registered EBITDA of INR 76.25 Crore (INR 64.87 Crore) and PAT amounted to INR 57.53 Crore (INR 46.08 Crore).

Improved capital structure and debt protection metrics:

The capital structure of the company continues to improve with overall gearing and long debt-equity of 1.59x and 0.31x as on 31st March 2021 compared 1.40x and 0.26x as on 31 March 2020 respectively. The financial risk profile of the company also company continues to improve by net worth, debt protection metrics and debt coverage indicators. The adjusted net worth of company stood at INR 456.24 Crores as on 31 March 2021 as against INR 334.39 Crore as on 31 March 2020. Interest coverage ratio remained healthy at 2.90x in FY21 (FY20: 2.48x) backed by increase in EBITDA. However, total indebtedness of the company marked by TOL/ATNW remained moderate at 2.47x as on March 31, 2021 (2.68x). Total Debt / GCA ratio was at 7.08x in FY2021 (6.76x). Total debt/GCA, interest coverage & other debt protection metrics are expected to remain comfortable moving forward.

The company has recently completed the CAPEX of its 105 KLPD Molasses/ Cane Juice Based Distillery at Phaltan, Satara, a capacity of 60 KLPD has already been commissioned in May 2021 and remaining 45 KLPD is expected to fully commission by September 2021. The full incremental benefits of the capex will start from FY22 which will be the first full year of operation of the capex.

Government's measure to support sugar prices:

The export subsidy announced by the government for the SS 2020-21 have played a major role in promoting sugar outward shipments. On 16 December 2020, the Cabinet Committee on Economic Affairs (CCEA) approved assistance of about Rs.3,500 crore towards sugar export of up to 6 million tonnes for the SS 2020-21 to curtail sugar glut situation in India and to reduce the quantum of sugarcane arrears owed by the sugar industry. The export subsidy translated into an assistance of around Rs.5.8 per kg for sugar to be exported.

Recently, the government of India has brought forward the target date for achieving 20 per cent ethanol-blending with petrol by two years to 2023 (which is currently at 7.2%). This has opened up opportunities to sugar manufacturing companies like SDIPL to increase ethanol productions or selling high quality molasses whereby increasing the company's income.

Rating Weaknesses:

Exposed to vagaries of nature and cyclical nature of the business:

Being an agro-based industry, performance of company is dependent on the availability of sugarcane crop and its yield, which may get adversely affected due to adverse weather conditions. Climatic conditions, to be precise the monsoons influence various operational strictures for a sugar entity, such as the crushing period and sugar recovery levels. In addition, the degree of dispersion of monsoon precipitation across the sugar cane growing areas also leads to fluctuating trends in sugar production in different regions. The industry is highly cyclical in nature because of variations in the sugarcane production in the country with typical sugar cycles lasting three five years, as production adjusts to the fall in prices, which in turn leads to lower supplies, price increase and higher production.

Exposure to risk related to government regulations:

The Sugar industry is highly exposed to risks related to Government regulations. Various Government Acts virtually governs all aspects of the business, which include the availability and pricing of sugarcane, sugar trade and by - product pricing. Further, Government intervention also exists to control the sugar prices to curb food inflation and stabilize the sugar prices in the domestic market. Moreover, ethanol-blending policy is also highly regulated by the government.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Adequate

The liquidity position of the company remains adequate as cash accruals are expected to remain sufficient to meet the repayment obligations. Further, the company had gross cash accruals of INR. 87.72 Crore in FY21. The overall utilisation of the limits (fund based + non-fund based) remains moderate during the last 12 months ended 31st July 2021. The current ratio stood at 1.13 times as on 31st March 2021. Also, the company finds cushion from the financial support from the promoters.

About the Company:

Shri Dutt India Private Limited was incorporated in 2012 by Mr Premji Ruparel who is the founder of Shri Dutt Group. Over the years Shri Dutt India Private Limited has grown into a large establishment, thus carving a niche for them in this widespread industry. Shri Dutt India Private Limited is presently into the business of sugar trading, sugar manufacturing and dairy business. Currently, the company has 11,000 TPD sugar production plant, 105 KLPD Distillery/Ethanol plant (company is in plan to enhance the capacity) 1 Lakh LPD Milk Processing Plant, 10TPD Milk Powder Plant.

Financials:

(INR Crore)

For the year ended/ As On	31-03-2020	31-03-2021
	(Audited)	(Provisional)
Total Operating Income	2207.68	3750.61
EBITDA	99.83	142.12
PAT	66.48	82.65
Total Debt	467.69	727.53
Adjusted Tangible Net-worth	334.39	456.24
Ratios		
EBITDA Margin (%)	4.52	3.79
PAT Margin (%)	3.00	2.20
Overall Gearing Ratio (x)	1.40	1.59

Status of non-cooperation with previous CRA: Nil

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (01/July/20)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term - Fund Based - Term Loan	Long Term	91.00	IVR BBB/ Stable	IVR BBB-/ Stable	--	--
2.	Long Term - Fund Based - EPC/PCFC	Long Term	140.00	IVR BBB/ Stable	IVR BBB-/ Stable	--	--
3.	Long Term - Fund Based - Cash Credit	Short Term	110.00	IVR BBB/ Stable	IVR BBB-/ Stable	--	--
4.	Long Term - Fund Based – Warehouse Loan	Short Term	90.00	IVR BBB/ Stable	IVR BBB-/ Stable	--	--
5.	Short Term- Non - Fund Based - Bank Guarantee	Short Term	10.00	IVR A3+	IVR A3	--	--

6.	Short Term-Non - Fund Based – Derivative/ FC	Short Term	5.77	IVR A3+	IVR A3	--	--

Name and Contact Details of the Rating Team:

Name: Rushabh Shah
Tel.: (022) 6239 6023
Email: rpshah@infomerics.com

Mr. Amit Bhuwania
Tel.: (022) 6239 6023
Email: abhuwania@infomerics.com

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.

Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term -Fund Based - Term Loan	--	--	Upto Feb - 2029	91.00	IVR BBB/ Stable
Long Term -Fund Based -EPC/PCFC	--	--	--	140.00	IVR BBB/ Stable
Long Term -Fund Based -Cash Credit	--	--	--	110.00	IVR BBB/ Stable
Long Term -Fund Based – Warehouse Loan	--	--	--	90.00	IVR BBB/ Stable
Short Term-Non - Fund Based - Bank Guarantee	--	--	--	10.00	IVR A3+
Short Term-Non - Fund Based – Derivative/ FC	--	--	--	5.77	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/Shri-dutt-india-lenders-sep21.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 -Fund Based - Term Loan	Simple
2	Long Term -Fund Based -EPC/PCFC	Simple
3	Long Term -Fund Based -Cash Credit	Simple
4	Long Term -Fund Based – Warehouse Loan	Simple
5	Short Term-Non - Fund Based - Bank Guarantee	Simple
6	Short Term-Non - Fund Based – Derivative/ FC	Simple

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.