



## Press Release

### Kedareshwar Khandsari Udyog Private Limited (KKUPL)

**September 18, 2024**

#### **Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. crore)</b>	<b>Current Ratings</b>	<b>Previous Ratings</b>	<b>Rating Action</b>	<b>Complexity Indicator</b>
Long Term Bank Facilities – Term Loan	38.35	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facilities – Cash Credit	25.00 (Enhanced from 15.00)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facilities – DL-WHR	15.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
Short Term Bank Facilities – Bank Guarantee	5.00	IVR A3 (IVR A Three)	-	Assigned	Simple
Proposed Long Term Bank Facilities	8.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
<b>Total</b>	<b>91.35 (Rupees Ninety-One crore and Thirty-Five lakh only)</b>				

**Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2.**

**Detailed explanation of covenants is at Annexure 3.**

#### **Detailed Rationale**

Infomerics has reaffirmed its rating assigned to the bank facilities as KKUPL continues to derive strength from moderate financial risk profile, comfortable capital structure and extensive



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experience of promoters. The ratings are however constrained by exposed vagaries to nature and cyclical nature of the sugar industry

The outlook is expected to remain stable through extensive support of promoters and comfortable debt protection metrics.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial and sustained increase in revenues and profitability leading to improvement in cash accruals and liquidity position.

#### **Downward Factors**

- Any decline in scale of operations and/or profitability leading to sustained deterioration of liquidity and/or debt protection parameters.

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

#### **Key Rating Strengths**

##### **Moderate Financial Risk profile**

KKUPL's revenue has declined by 14.63% to Rs. 177.81 crore in FY24(Prov.) (period refers to April 1, 2023 to March 31, 2024) from Rs. 208.29 crore in FY23 due to low monsoon in FY22-23 which led to low availability of cane during FY23-24. Further, KKUPL has achieved revenue of Rs. 46.77 crore in 5MFY25 and Infomerics expects the company to achieve revenue of around Rs. 200 crore in the current financial year with expected good cane availability with good monsoon during current sugar season and with higher capacity.

Despite, declined in revenue, EBITDA margins have improved to 15.59% in FY24(Prov.) from 4.30% in FY23 due to lower operating cost and benefits of integrated operations as the company started receiving benefits of enhancement of co-gen plant capacity from 3MW to 16MW which was successfully commenced from December 2023.

##### **Comfortable capital structure**

KKUPL's capital structure continued to remain comfortable in as on 31<sup>st</sup> March 2024(Prov.) with TOL/Adjusted TNW remained stable and at 1.87x (31<sup>st</sup> March 2023: 1.87x). However, KKUPL's overall gearing ratio has increased to 1.29x as on 31<sup>st</sup> March 2024 from 0.46x at the end of 31<sup>st</sup> March 2024 due to additional working capital borrowings and term loan (for



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enhancement of co-gen capacity to 16MW). Despite increase in debt KKUPL's interest coverage ratio has improved to 6.53x in FY24(Prov.) from 5.11x in FY23 due to significant improvement in EBITDA. However, Total debt/ NCA ratio has deteriorated to 4.21 years from 2.38 years due to increase in total debt.

### **Extensive experience of promoters**

KKUPL was initially started as partnership firm on April 1, 1993, by the name of Kedareshwar Khandsari Udyog and then later got converted into private limited company on December 10, 2022. The company is currently managed by Mr. Ashish Kumar Goyal who has a vast experience of 22 years in the sugar manufacturing business and the company also has receives support from group companies like Shree Durga Khandsari Sugar Mills, Shrijee Sugars and Powers Private Limited which are into similar line of business for more than two decades.

### **Key Rating Weaknesses**

#### **Exposed vagaries to nature**

Being an agro-based industry, performance of KKUPL is dependent on the availability of sugarcane crop and its yield, which may get adversely affected due to adverse weather conditions. The climatic conditions and pest related attacks have a bearing on the cane output, which is the primary feedstock for a sugar producer. Climatic conditions, to be precise the monsoons influence various operational structures 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.

#### **Cyclical nature of the sugar industry**

The key parameters of the sugar supply in the domestic market for a given sugar season are 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 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



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### Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria on assigning rating outlook](#)

[Criteria on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

### **Liquidity – Adequate**

The liquidity position of the company remains adequate as cash accruals are expected to match tightly with debt repayment obligations. The free cash balance as on March 31, 2024, stood at Rs. 0.60 crore. The average working capital utilization for 12 months ending August 2024 has been 66.17%. The current ratio and quick ratio stood at 1.18x and 0.44x respectively in FY24(Prov.).

### **About the Company**

Kedareshwar Khandsari Udyog Private Limited (KKUPL) was started as partnership firm on April 1, 1993 by the name of Kedareshwar Khandsari Udyog and then later got converted into Private Limited company was incorporated as a private limited company on December 10, 2022. KKUPL is engaged in manufacturing and trading of sugar and its byproducts and additionally has bagasse-based Co-gen plant with current capacity of 3,500 TCD and 16MW respectively. KKUPL's manufacturing unit is located at Tapi, Gujarat. KKUPL is currently managed by Mr. Ashish Kumar Goyal who has an experience of over two decades in the sugar manufacturing business through Goyal group companies.

### Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	208.29	177.81
EBITDA	8.95	27.72
PAT	4.71	14.09
Total Debt	14.87	95.46
Tangible Net Worth	32.45	74.20
EBITDA Margin (%)	4.30	15.59



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For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
PAT Margin (%)	2.26	7.92
Overall Gearing Ratio (x)	0.46	1.29
Interest Coverage (x)	5.11	6.53

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (November 21, 2023)	Date(s) & Rating(s) assigned in 2022-23 (April 5, 2022)	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan	Long Term	38.35	IVR BBB-/ Stable	IVR BBB-/ Stable		--
2.	Cash Credit	Long Term	25.00*	IVR BBB-/ Stable	IVR BBB-/ Stable		--
3.	DL-WHR	Long Term	15.00	IVR BBB-/ Stable	--		--
4.	Bank Guarantee	Short Term	5.00	IVR A3	--		
5.	Proposed	Long Term	8.00	IVR BBB-/ Stable	--		

\*Sub-limit of Cash Credit Limit for non-peak season: Rs. 12.50 crore.

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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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
Term Loan	--	--	March, 2030	38.35	IVR BBB-/ Stable
Cash Credit	--	--	--	25.00	IVR BBB-/ Stable
DL-WHR	--	--	--	15.00	IVR BBB-/ Stable
Bank Guarantee	--	--	--	5.00	IVR A3
Proposed	--	--	--	8.00	IVR BBB-/ Stable

\*Sub-limit of Cash Credit Limit for non-peak season: Rs. 12.50 crore.

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Kedareshwar-Khandsari-18sept24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated/Combined analysis: 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).