



Press Release

Kedareshwar Khandsari Udyog Private Limited (KKUPL)

November 21, 2023

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Term Loan	40.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Assigned	Simple
Long Term Bank Facilities – Cash Credit	15.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Assigned	Simple
Total	55.00	(Rupees Fifty-Five crore only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of KKUPL derive strength from experienced promoters, moderate financial risk profile and comfortable debt protection metrics. The ratings strengths are, however, constrained by exposed to vagaries of nature and cyclical nature of the sugar business.

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.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced 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.

Moderate Financial Risk Profile

KKUPL's revenue has increased by 50% in FY23 to Rs. 208.29 crore as compared to FY22 led by improvement volume and realisations, KKUPL has achieved revenue of Rs.102.33 crore for 7MFY24 with higher realisations and volume. IVR expects KKUPL to achieve revenue of around 254.69 crore in FY24 with higher realisations of Sugar coupled with higher volume. EBITDA margins remained low and was in the range of 4.30%-4.89% through FY22-FY23, margins were lower due to trading revenue and higher variable costs. PAT margins were also lower and was in the range of 2.26%-3.50% in the same period due to lower EBITDA.

EBITDA margins have improved during 7MFY24 to 8.73% as majority of variable costs get incurred in second half of any financial year as crushing season starts from October onwards, 7MFY24 are also benefitted by higher realisations of sugar during the period. IVR expects KKUPL to achieve EBITDA margins of around 10.95% in FY24 with higher realisations of sugar and revenue from selling of power.

Comfortable debt protection metrics

KKUPL's debt protection metrics remained comfortable in FY23 and FY22 with overall gearing and TOL/TNW is at 0.46x and 1.87x respectively (FY22: 0.67x and 1.38x respectively). KKUPL is incurring capex Rs.77.18 crore to expand its capacity of bagasse based cogen plant to 16MW from 3MW with total cost of Rs. 77.18 crore funded through mix of debt (52%) and



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balance through unsecured loans from promoters and equity capital. IVR expects overall gearing as well TOL/TNW is expected to increased marginally, however remained comfortable and will be 0.78x and 1.52x respectively at the end of FY24 due to debt led capex; DSCR also remains comfortable at 3.02x in FY23 as against 4.04x in FY22 and expected to remain comfortable with ballooning repayment of new loans.

Key Rating Weaknesses

Exposed to vagaries of nature

Being an agro-based industry, performance of KCUPL 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 business

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

Applicable Criteria:

[Criteria of Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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



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Liquidity – Adequate

The liquidity position of the company remains adequate as cash accruals are expected to match with debt repayment obligations. The free cash balance as on March 31, 2023, stood at Rs. 2.21 crore. The average working capital utilisation for 12 months ending September 2023 has been 67.32%. The current ratio and quick ratio were 1.25x and 0.46x respectively, as on March 31, 2023 due to increase in current portion of long term debt.

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 2,800 TCD and 3MW (which is captively used by the company) respectively. KKUPL's manufacturing unit is located at Tapi, Gujarat.

KKUPL is currently managed by Mr. Ashish Kumar Goyal who has a vast experience of 22 years in the sugar manufacturing business through Goyal group companies.

Financials (Standalone):

(Rs. crore)		
For the year ended / As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	138.60	208.29
EBITDA	6.77	8.95
PAT	4.88	4.71
Total Debt	21.05	14.87
Tangible Net-Worth	31.62	32.45
Ratios		
EBITDA Margin (%)	4.89	4.30
PAT Margin (%)	3.50	2.26
Overall Gearing Ratio (x)	0.67	0.46

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	40.00	IVR BBB-/ Stable	--	--	--
2.	Cash Credit	Long Term	15.00	IVR BBB-/ Stable	--	--	--

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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).

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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	--	--	April, 2029	40.00	IVR BBB-/ Stable
Cash Credit*	--	--	-	15.00	IVR BBB-/ Stable

*Sub-limit of FBWC: Rs. 7.50 crore.

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Kedareshwar-nov23.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.