Press Release

Shree Tatyasaheb Kore Warana Sahakari Sakhar Karkhana Limited

May 05, 2025

Ratings

Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	593.10	IVR BBB-/ Stable [IVR Triple B Minus with Stable outlook]	IVR BBB-/ Stable [IVR Triple B Minus with Stable outlook]	Rating reaffirmed	Simple
Total	**593.10**	**[Rupees Five hundred ninety-three crore and ten lakhs only]**			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities for the long-term facilities to IVR BBB- with stable outlook for Shree Tatyasaheb Kore Warana Sahakari Sakhar Karkhana Limited (STK).

The rating reaffirmation takes into consideration long operating history spanning seven decades, favourable geographical set-up, adequate sugar recovery levels along with integrated distillery plant and Government support to sugar industry. The rating continues to draw comfort from healthy demand dynamics and Government support to ethanol industry coupled with comfortable capital structure. However, these rating strengths are partially offset by decline in scale of operations although improved profitability and working capital-intensive operations. The company also remains exposed to risks associated with susceptibility of operating margin to volatile raw material prices and cyclicality in the sugar business.

The 'Stable' outlook reflects Infomerics Ratings expectation of sustained profitability and growing scale of operations. Infomerics believes STK will continue to benefit from its operational track record in the business resulting in increased scale of operations

Infomerics Ratings has principally relied on the consolidated audited financial results of STK and Urjankur Shree Tatyasaheb Kore Warana Power Company Limited (Urjankur) up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Significant growth in the scale of business with improvement in operating profitability on a sustained basis.
- Improvement in the debt protection specific credit metrics total debt to EBITDA below 3.00x on sustained basis.

Downward Factors

- Dip in operating income and/or profitability further impacting the debt coverage indicators and/or further deterioration in the financial risk profile.
- Any further significant rise in working capital intensity or unplanned capex leading to a further deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long operating history spanning seven decades, favorable geographical set-up, adequate sugar recovery levels:**
  Incorporated in 1955, Warana Sugar has a long operational history spanning over seven decades. Its cooperative set up has close to 22,000 cane producing members which ensures stable cane supply year-on-year. The cooperative's command area is located in Kolhapur district of Maharashtra but being a multistate cooperative society can purchase cane from neighboring states. Warana Sugar benefits from its presence in the

high cane yield and high sugar recovery Kolhapur zone of Maharashtra. Given the conducive climate and topography, the cane yields in the company's catchment area historically have been above the state.

- **Integrated distillery plant and Government support to sugar industry; fiscal benefits with soft loans, threshold sugar realizations and cane procurement cost**

  The company's sugar operations are forward integrated into distillery operations. While the by-products provide an alternative source of revenue, they also cushion the company's profitability against the inherent cyclicality in the sugar business. In FY24, Warana Sugar derived 64.77% of its revenue from sugar operations while 35.23% revenues were garnered from ethanol and molasses. The company also benefits from the various fiscal incentives extended by the Government to the domestic sugar industry, which include subsidies for sugar exported, soft loans as well as interest subvention schemes. The Government of India also fixes the threshold cane procurement price annually, while periodically revising the minimum sugar realizations. The Government has also promoted the manufacturing of ethanol from B-molasses against C- molasses mainly by offering it a relatively higher realization.

- **Strong demand dynamics and Government support to the ethanol sector**

  Ethanol is found to be cost effective dilutant in petrol and diesel without loss of energy. Besides the manufacturing process for ethanol does not require sophisticated technology and the raw material is also available abundantly in sugar and rice producing areas of India. With heavy dependence of India on imported crude the Government of India has taken various policy initiatives to incentivize blending ethanol with fuels to 20% by 2030. Going forward this will be positive for augmenting the demand for the company's products. Oil marketing companies (OMCs) have increased the procurement price for ethanol made from C-heavy molasses by ₹6.87 per liter for the 2023-24 supply season that started in November’23, marking the highest rise in over five years.

- **Comfortable capital structure**

  The overall gearing (including quasi equity) stood comfortable at 0.94x as on March 31, 2024, although deteriorated from 0.90x as on March 31,2023 on account of increase in total debt. As per the undertaking given to the bankers (Bank of Baroda and Bank of India) by the company dated February 25, 2022, stating that unsecured loan of Rs. 373.00 crore shall not be withdrawn for the next 5 years, therefore considered as quasi equity. Further, total indebtedness of the company as reflected by TOL/TNW stood at 1.42x as on March 31, 2024, compared to 1.19x as on March 31, 2023.

B. Key Rating Weaknesses

- **Decline in scale of operations although improved profitability**

TOI of the group has decline by 12.20% and amounts to Rs. 710.49 crore for FY24 compared to Rs. 809.24 crore in FY23 majorly on account of decline in sales volume along with sales prices of its key products. The regulated sugar industry selling quota is decided by the government for the year to regulate demand and supply. During FY24 various ban were imposed by the government of export of sugar and production of ethanol using sugar syrup which impacted the performance of the company. The GCA of the group stood at Rs. 36.55 crore as on March 31, 2024, compared to Rs. 27.44 crore as on March 31, 2023. Although decline in scale of operations, the EBITDA margin for the group improved by 399 bps and stood at 12.49% in FY24 which was 8.50% in FY23 on account of decline in expenses. Subsequently, the PAT margin also improved by 143 bps and stood at 2.58% during FY24 compared to 1.15% in FY23.

- **Susceptibility of operating margin to volatile raw material prices**
  The key raw material for ethanol manufacturing is rice grain, maize, sugarcane, corn etc. Availability and prices are both volatile in nature due to presence of agro-climatic risk and cyclicality in the industry.

- **Working capital intensive operations, cyclicality in the sugar business**
  Since sugar is an agro-based commodity, hence, the sugar inventory is piled up during the crushing season and gradually released till the commencement of the next crushing season, resulting in high inventory carrying cost, high inventory days of 342 for FY24 and requirement of higher working capital. The operating cycle of the group remained elongated at 470 days in FY24 compared to 354 days in FY23 on account of the increase in inventory period.

Analytical Approach: Consolidated

For arriving at the ratings, Infomerics has analysed STK's credit profile by considering the consolidated financial statements of the company owing to financial linkages between the parent and subsidiaries and common management. The entities considered in the consolidated financial statements are Shree Tatyasaheb Kore Warana Sahakari Sakhar Karkhana Limited and Urjankur Shree Tatyasaheb Kore Warana Power Company Limited.

Applicable Criteria:

Rating Methodology for Manufacturing Companies.
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Criteria for consolidation of companies
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The company's liquidity is adequate marked by expectation of sufficient cushion in cash accruals against its debt repayments for the next 3 years. The company has a current ratio of 1.14x as of March 31, 2024. The unencumbered cash and bank balance of the company stood at Rs. 2.08 crores as on March 31, 2024. The average utilization of fund-based limits stands at 47.83% for 12 months ending March 2025. The operating cycle of the company stood elongated at 470 days in FY24 compared to 354 days in FY23 on account of the increase in inventory days.

About the Company

Shree Tatyasaheb Kore Warana Sahakari Sakhar Karkhana Limited (STK) was promoted by Late Mr. Tatyasaheb Kore in September 1955 (founder Chairman). Registered under 'The Maharashtra Co-operative Societies Act, 1960', the company is involved in the manufacture of sugar and allied products. The sugar factory is the flagship company of the Warananagar, Kolhapur based Warana group encompassing co-operative dairy project (Warana Dairy), co-operative poultry farm, co-operative bank, education institutes in Warana Nagar, Kolhapur, Maharashtra. The STK has a subsidiary "Urjankur Shree Tatyasaheb Kore Warana Power Company Limited" (Urjankur) which is a co-generation unit of the company. STK has 66.7% stake in Urjankur.

Financials (Consolidated): **(Rs. Crore)**

For the year ended* / as on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	809.24	710.49
EBITDA	68.79	88.71
PAT	9.51	18.49
Total Debt	671.18	724.66
Adjusted Tangible Net Worth (including quasi-equity)	749.05	774.86
Ratios		

EBITDA Margin (%)	8.50	12.49
PAT Margin (%)	1.15	2.58
Overall Gearing Ratio (x) (including quasi-equity)	0.90	0.94
Interest Coverage (Times)	1.37	1.53

**Classification as per Infomerics` standards*

Status of non-cooperation with previous CRA: Vide press release dated December 20, 2024, India Ratings and Research Private Limited have kept the ratings under non-cooperation category on account of non-submission of relevant information.

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24 (Feb 08, 2024)	Date(s) & Rating(s) assigned in 2022-23 (Dec 27, 2022)
1.	Long Term Facilities	LT	593.10	IVR BBB- /Stable	-	IVR BBB- /Stable	IVR BBB- /Stable

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Soft Loan	-	-	Oct 2026	6.01	IVR BBB-/Stable
ECGL	-	-	Oct 2026	17.57	IVR BBB-/Stable
ECGL	-	-	Apr 2028	17.11	IVR BBB-/Stable
ECGL	-	-	Dec 2026	15.30	IVR BBB-/Stable
ECGL	-	-	Mar 2028	13.12	IVR BBB-/Stable
TL	-	-	Sep 2026	29.99	IVR BBB-/Stable
Cash Credit	-	-	-	494.00	IVR BBB-/Stable

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-STK-may25.pdf

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

Annexure 4: List of companies considered for consolidated analysis:

Name of the Company	Consolidated Approach
Shree Tatyasaheb Kore Warana Sahakari Sakhar Karkhana Limited	Full Consolidation
Urjankur Shree Tatyasaheb Kore Warana Power Company Limited	Full Consolidation

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.