



Press Release

Sadguru Sri Sri Sakhar Karkhana Limited (SSSSKL)

September 02, 2024

Ratings

| Instrument / Facility | Amount (Rs. crore) | Current Ratings | Previous Rating | Rating Action | Complexity Indicator |
|-----------------------------|---|--|--|---------------|------------------------|
| Long term Bank Facilities | 46.09 | IVR BB+/Stable (IVR Double B plus with stable outlook) | -- | Assigned | Simple |
| Long term Bank Facilities | 230.66 | IVR BB+/Stable (IVR Double B plus with stable outlook) | IVR BB+/Stable (IVR Double B plus with stable outlook) | Reaffirmed | Simple |
| Long term Bank Facilities** | -- | -- | -- | withdrawn | Simple |
| Short Term Bank Facilities | 93.00 (increased from 80.50) | IVR A4+ (IVR Single A four plus) | IVR A4+ (IVR Single A four plus) | Reaffirmed | Simple |
| Total | 369.75 (Three Hundred & Sixty-Nine Crore and Seventy-Five Lakh only) | | | | |

***The ratings have been withdrawn at the request of the client and no dues certificate received from the banker. The rating is withdrawn in line with Infomerics' policy on withdrawal of ratings.*

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 assigned/reaffirmed its rating to the Bank facilities of SSSSKL derives strengths from integrated plant, experienced promoters and, government support to the sugar industry. However, these rating strengths are partially constraint by decline in total operating income and profitability, project execution risk, moderate net worth and leveraged capital structure, elongated working capital cycle, exposed to vagaries of nature, cyclical nature of the sugar business and, exposure to risk related to government regulations.



Press Release

The outlook is “Stable” on account of expected improvement in revenue and profitability through FY25-FY27 with higher capacity and expansion of distillery. Infomerics believes that SSSSKL will continue to get the benefit from integrated plant and experienced promoter.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained increase in revenues and profitability leading to improvement in cash accruals and liquidity position.
- Improvement in capital structure and/or debt protection metrics.

Downward Factors

- Any decline in scale of operations and/or profitability leading to sustained deterioration of liquidity and/or debt protection parameters.
- Any un-envisaged incremental debt funded capital expenditure leading to a deterioration in the capital structure and thereby debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Benefit of Integrated Plant

SSSSKL's operations are fully integrated in nature which has led to better absorption of fixed cost and any increase in the raw material cost. SSSSKL's crushing capacity is 5500 TCD per day. The sugar recovery remained moderate in FY24 and stood at 10.28% (FY23: 10.95%). Additionally, the integrated plant include distillery of 75 kilo liters per day (KLPD) and a co-generation plant of 17 mega-watts (MW). The cogeneration and distillery units provide alternate revenue streams and some cushion against cyclicity in sugar business.

Experienced Promoters

Incorporated in 2010, SSSKL is currently managed by Mr. Seshagiri Rao Narayana Rao Narra who is currently the Chairman & Managing Director and has more than 30 years of experience in the sugar industry. The company under the guidance of promoters have developed healthy customer and suppliers' relations. SSSSKL is also assisted by a team of well qualified and



Press Release

experienced professionals. The company is likely to benefit from the extensive experience of its promoters and management over the medium term.

Government support to the sugar industry

The company benefits from the various fiscal incentives extended by the Government to the domestic sugar industry which include subsidy for sugar exported, capital subsidy, soft loans interest subvention scheme. The Government of India also fixes the threshold cane procurement price annually, while periodically revising the minimum sugar realisations. Measures like the aforesaid collaboratively aid improvement the financials of the sugar companies.

Key Rating Weaknesses

Declined in total operating income though profitability remain strong:

The total operating income declined by 35.43% on Y-O-Y basis to Rs. 262.59 crore in FY24(P) (refers period from 01st April 2023 to 31st March 2024) due lower exports of sugar as due to ban on exports of sugar by Government of India.

However, EBITDA margins improved and stood at 15.35% in FY24(P) (FY23:11.48%) due to lower operating cost.

Project execution risk

The company is in the process of installing the greenfield project of dryer with the cost of Rs.21 crore funded through equity (Rs.5.25 crore) and balance through debt. The company has achieved financial closure for this project and the project is expected to be commissioned in the current month. With the operationalisation of this capex, the company is expected to achieve additional profits of Rs.6-Rs.8 crore per annum.

Moderate net worth and leveraged capital structure:

The tangible net worth of the company remained moderate and stood at Rs. 92.13 crore as on March 31, 2024(P) as against Rs. 87.58 crore March 31, 2023, due to lower profit. Unsecured loan to the tune of Rs. 11.00 crore as on March 31, 2024(P), has been considered as quasi equity as the same are subordinated to bank borrowing. The capital structure ratio remained leveraged marked by adjusted overall gearing and TOL/ATNW at 2.80x and 4.34x



Press Release

respectively as on March 31, 2024(P) due to higher working capital utilisation on balance sheet debt as against 2.57x and 4.13x as on March 31, 2023.

Additionally, the company has also given corporate guarantee to the loans taken by farmers for assured supply of sugarcane and Infomerics has treated this as debt. There are no instances of invocation corporate guarantee given by the company.

Elongated Working Capital Cycle

In FY24, the company's net operating cycle elongated to 294 days from 179 days in FY23, mainly because inventory days increased to 346 days from 194 days. This is due to the nature of the sugar industry, which is seasonal and depends on government tenders for sales, leading to longer inventory holding periods and a longer overall operating cycle.

Exposed to vagaries of nature

Being an Agro-based industry, performance of SSSSKL 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.



Press Release

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.

Analytical Approach: Standalone

Applicable Criteria:

[Policy on Default Recognition and post default curing period](#)

[Criteria of assigning Rating outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

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

[Policy on Withdrawal of Ratings](#)

Liquidity – Adequate

The liquidity of the company remained adequate with gross cash accruals of Rs. 16.20 crore in FY24. The expected gross cash accruals will remain in the range of Rs. 34.72 crore to Rs. 38.63 crore as against the repayment of Rs. 23.40 crore to Rs. 10.27 crore in FY25 – FY27. The cash and cash equivalence stood at Rs. 31.71 crore as of July 2024, further the average cash credit utilisation of last 12 months ended in July 2024 is at 50%. The current ratio and quick ratio stood at 0.89x and 0.21x respectively as on March 31, 2024(P). Hence, the overall liquidity is adequate.

About the Company

SSSSKL operates a fully integrated sugar plant with cane crushing capacity of 5500 TCD, cogeneration capacity of 17 MW, and distillery unit of 80 KLPD for producing 90% white plantation sugar, 10% Natural Brown Sugar, cogeneration of power and other allied by products at Sri Sri Nagar Rajewadi, Taluka Atpadi, District Sangli, Maharashtra.



Press Release

Financials (Standalone):

| | (Rs. crore) | |
|------------------------------------|-------------|-------------|
| For the year ended/ As on* | 31-03-2023 | 31-03-2024 |
| | Audited | Provisional |
| Total Operating Income | 406.65 | 262.59 |
| EBITDA | 46.68 | 40.30 |
| PAT | 11.36 | 1.99 |
| Total Debt | 225.50 | 257.66 |
| Adjusted Tangible Net Worth | 87.58 | 92.13 |
| EBITDA Margin (%) | 11.48 | 15.35 |
| PAT Margin (%) | 2.76 | 0.75 |
| Adjusted Overall Gearing Ratio (x) | 2.57 | 2.80 |
| Interest Coverage (x) | 2.05 | 1.43 |

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years:

| Sr. No. | Name of Security/Facilities | Current Ratings (2024-25) | | | Rating History for the past 3 years | | |
|---------|-----------------------------|---------------------------|--------------------|----------------|--------------------------------------|------------------------------|------------------------------|
| | | Type | Amount (Rs. Crore) | Rating | Date(s) & Rating(s) assigned 2023-24 | Date(s) & Rating(s) assigned | Date(s) & Rating(s) assigned |
| | | | | | July 03, 2023 | -- | -- |
| 1. | Term Loan | Long Term | 46.09 | IVR BB+/Stable | -- | -- | -- |
| 2. | Term Loan | Long Term | 30.66 | IVR BB+/Stable | IVR BB+/Stable | -- | -- |
| 3. | Cash Credit | Long Term | 200.00 | IVR BB+/Stable | IVR BB+/Stable | -- | -- |
| 4. | Short Term Loan | Short Term | 56.50 | IVR A4+ | IVR A4+ | -- | -- |
| 5. | Bills Discounting | Short Term | 36.50 | IVR A4+ | IVR A4+ | -- | -- |
| 6. | Term Loan** | Long Term | -- | Withdrawn | IVR BB+/Stable | -- | -- |

** The ratings have been withdrawn at the request of the client and no dues certificate received from the banker. The rating is withdrawn in line with Infomerics' policy on withdrawal of ratings.



Press Release

Analytical Contacts:

Name: Amey Joshi

Tel: (022) – 6239 6023

Email: amey.joshi@infomerics.com

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.

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 or 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



Press Release

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.

Annexure 1: Instrument/Facility Details

| Name of Facility/ /Security | ISIN | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|--------------------------------|------|------------------|---------------------|----------------------|---------------------------------|-----------------------------|
| Term Loan | -- | -- | -- | Mar 2025 – June 2029 | 76.75 | IVR BB+/Stable |
| Cash Credit | -- | -- | -- | -- | 200.00 | IVR BB+/Stable |
| Short Term Loan | -- | -- | -- | -- | 56.50 | IVR A4+ |
| Bills Discounting | -- | -- | -- | -- | 36.50 | IVR A4+ |

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SadguruSri-sep24.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.