Shree Dutt India Private Limited

December 12, 2022

Ratings

Facilities	Rated Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	874.97 (Enhanced from 431.00) (Includes proposed limit of 75.00)	IVR BBB+/ Positive (IVR Triple B Plus with Positive Outlook)	Rating revised from IVR BBB/ Stable	Simple
Short Term Bank Facilities	26.00 (Enhanced from 15.77)	IVR A2 (IVR A Two)	Rating revised from IVR A3+	Simple
Total	**900.97 (Nine Hundred Crore and Ninety-Seven Lakhs)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision of the ratings assigned to the bank loan facilities of Shri Dutt India Private Limited (SDIPL) factors in the Company's demonstrated ability to improve its scale of operations resulting in an increase in the profits and cash accruals, thereby improving its credit metrics in FY22 in comparison to the previous fiscal. Infomerics expects the likely continuation of these in the near-term, basis the expected steadiness in the favorable operating environment of the sugar industry. The rating continues to derive comfort from its experienced promoters, established market position and diversified product profile, improved capital structure and debt protection metrics, and Government's measures to support sugar prices. However, the rating strengths are partially offset by its working capital-intensive nature of operations as also the exposure to agro climatic risks, exposure to risks related to Government regulations, and cyclical trends in sugar business.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in the revenue and debt protection parameters while improving the profitability.
- Successful completion of the ethanol capacity expansion (from 105 KLPD to 310 KLPD) project within the budgeted cost and time frame.

Downward Factors

- Significant decline in revenue and profitability leading to deterioration in debt protection metrics.
- Any adverse Government regulations which may impact the company's business risk profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Significant improvement in the topline and profits during the FY22 and H1 FY23**

SDIPL's topline increased significantly by 75% YoY from ~INR3752 crore in FY21 to ~INR6569 crore in FY22, primarily because of increased volume of sugar sold (increase by 49% YoY) along with increased realisation (increase by 17% YoY). The EBITDA in absolute term increased by 45% YoY from ~INR111 crore in FY21 to ~INR161 crore in FY22, the PAT also improved by 62% YoY from ~INR45 crore in FY21 to ~INR73 crore in FY22. As a consequence of better profits, the gross cash accruals of the Company improved from INR63.49 crore in FY21 to INR96.42 crore in FY22. H1FY23 results were also very impressive vis-à-vis H1FY22 – the topline improved by 96% YoY to ~INR4076 crore while EBITDA improved by ~120%YoY to ~INR150 crore. Infomerics expects these favourable trends to continue resulting in superior results for FY23 compared to FY22.

- **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. The Company is in the process of expanding its distillery unit from 105 KLPD to 310 KLPD in the current financial year. This would not only have a favourable impact on SDIPL's topline but also improve the overall margin profile as the EBITDA margin of distillery operations is higher than the EBITDA margins of sugar trading, and sugar manufacturing businesses. The improvement in overall profit margins will be a key credit determinant going forward.

- **Improved capital structure and debt protection metrics**

The capital structure of the Company continues to improve with overall gearing ratio of 1.21x in FY22 compared to 1.83x in FY21. Long term debt-equity ratio deteriorated slightly from 0.21x in FY21 to 0.28x in FY22. Interest coverage ratio improved from 2.12x in FY21 to 3.06x in FY22. Further, the DSCR improved from 1.37x in FY21 to 1.51x in FY22. The company has recently completed the CAPEX of its 105 KLPD Molasses/ Cane Juice Based

Distillery at Phaltan, Satara. The full incremental benefits of the capex started flowing from FY22 as current year is the first full year of operation of the planned capex. Company is going to enhance the total capacity of Distillery to 310 KLPD in FY23 and the capex will be funded by debt of ~INR77 crore. The debt protection matrices are remaining comfortable after considering this expansion.

- **Government's measures to support sugar prices**

SDIPL 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 export subsidy benefit has materially impacted the margins of the sugar entities in the past fiscals. The Government of India also fixes the threshold cane procurement price annually, while periodically revising the minimum sugar realisations. The Government has also promoted the manufacturing of ethanol from B-molasses against C-molasses mainly by offering it a relatively higher realisation. Measures like the aforesaid collaboratively aid in the improvement of the financials of the sugar companies.

Key Rating Weaknesses

- **Working capital intensive operations**

Since sugar is an agro-based commodity (with sugarcane crushed mainly during November to April). Hence, the sugar inventory is piled up during the crushing season and gradually released till the commencement of the next crushing season, resulting into high inventory carrying cost and requirement of higher working capital.

- **Exposure to agro-climatic risks and cyclical trends in sugar business**

Being an agro-based industry, performance of Shri Dutt India Private Limited 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 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.

- **Exposure to risks 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. The procurement of sugarcane by the sugar entities is governed by the Sugarcane (Control) Order, 1966, which stipulates that the mills need to source their sugarcane only from the command area allocated to them. The order also makes it mandatory for the sugar mill to necessarily uplift the entire sugarcane production of the farmer, irrespective of the market demand, which has a considerable impact on the inventory holding pattern. 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. Vulnerability in business due to Government regulations is likely to continue over the medium term.

- **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:

[Rating Methodology for Manufacturing Companies]

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

[Criteria of assigning rating outlook]

<u>Liquidity</u> – Adequate

The company has a modest current ratio of 1.04x in FY22 and this ratio is remaining between 1.18x and 1.52x in the projected period, FY23-25. The GCAs of each of the years between FY23 and FY25 comfortably cover the debt repayments due in the respective years reflecting an adequate liquidity position of the company. The Operating Cycle is comfortable in the range, of 28-42 days between FY23 and FY25. The average utilisation of fund based working capital limits is also comfortable at ~32% in FY22 providing a comfortable cushion.

<u>About the Company</u>

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 15,000 TPD sugar production plant, 105 KLPD Distillery/Ethanol plant (Company is in the process to enhance the capacity to 310 KLPD), 1 Lakh LPD Milk Processing Plant, 10TPD Milk Powder Plant.

Financials (Standalone):

For the year ended*/As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	3751.72	6568.59
EBITDA	111.00	160.90
PAT	44.98	73.11
Total Debt	693.93	614.42
Tangible Net Worth	378.83	478.94
EBITDA Margin (%)	2.96	2.45
PAT Margin (%)	1.20	1.11
Overall Gearing Ratio (x)	1.83	1.21

*** Classification as per Infomerics' standards.**

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years:

S. No.	Facilities	Current Rating (FY 2022-23)			Rating History for last 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (September 30, 2021)	Date(s) & Rating(s) assigned in 2020-21 (July 1, 2020)	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	186.97	IVR BBB+/ Positive	IVR BBB/ Stable	IVR BBB-/ Stable	--
2.	EPC/PCFC	Long Term	275.00	IVR BBB+/ Positive	IVR BBB/ Stable	IVR BBB-/ Stable	--
3.	Cash Credit	Long Term	110.00	IVR BBB+/ Positive	IVR BBB/ Stable	IVR BBB-/ Stable	--
4.	Warehouse Receipt	Long Term	303.00	IVR BBB+/ Positive	IVR BBB/ Stable	IVR BBB-/ Stable	--
5.	Bank Guarantee	Short Term	10.00	IVR A2	IVR A3+	IVR A3	--
6.	Derivative - Forward Contract	Short Term	16.00	IVR A2	IVR A3+	IVR A3	--

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facilities	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facilities (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 1	-	-	Feb 2029	175.00	IVR BBB+/ Positive
Term Loan 2	-	-	Mar 2024	11.97	IVR BBB+/ Positive
EPC/PCFC	-	-	-	200.00	IVR BBB+/ Positive
EPC/PCFC – Proposed	-	-	-	75.00	IVR BBB+ /Positive
Cash Credit	-	-	-	110.00	IVR BBB+/ Positive
Warehousing Receipt 1	-	-	-	90.00	IVR BBB+/ Positive
Warehousing Receipt 2	-	-	-	40.00	IVR BBB+/ Positive
Warehousing Receipt 3	-	-	-	70.00	IVR BBB+/ Positive
Warehousing Receipt 4	-	-	-	28.00	IVR BBB+/ Positive
Warehousing Receipt 5	-	-	-	25.00	IVR BBB+/ Positive
Warehousing Receipt 6	-	-	-	50.00	IVR BBB+/ Positive

Bank Guarantee	-	-	-	10.00	IVR A2
Derivative – Forward Contract	-	-	-	16.00	IVR A2

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

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Len-ShriDutt-dec22.pdf

Annexure 4: Detailed explanation of the 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.