Press Release

Shri Dutt India Private Limited (SDIPL)

February 1, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	874.37 (Reduced from Rs.874.97 crore)	IVR BBB+ / Stable Outlook (IVR Triple B Plus with Stable Outlook)	Reaffirmed with revision in outlook	Simple
Short Term Bank Facilities	26.00	IVR A2 (IVR A Two)	Reaffirmed	Simple
Total	**900.37 (Rupees Nine Hundred Crores and Thirty-Seven Lakhs only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the outlook to Stable for the ratings assigned to the bank facilities of Shri Dutt India Private Limited (SDIPL) takes into account the changes in policy pertaining to sugar industry which has impacted company's financial performance in 9MFY24. The current rating continues to derive strength from experienced promoters, significant improvement in the total income and profits during FY23, established market position and diversified product profile, improved capital structure and debt protection metrics. The rating also takes into consideration the Government's measures to support sugar prices. However, the rating strengths are constrained by working capital-intensive nature of operations as also the exposure to agro climatic risks, exposure to risks related to Government regulations, and inherent thin margins and cyclical trends associated with sugar trading business.

Key Rating Sensitivities:

Upward rating factor

- Sustained increase in scale of operation of more than 25% in coming years with improvement in cash accruals.

- Improvement in profitability metrics with EBITDA margin above 5% on a sustained basis

Downward rating factor

- Significant decline in revenue & profitability due to any company or industry related factors 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

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 of Mr. Premji Ruparel) has around three decades' experience. She has been on the board of SDIPL since beginning. Her vast experience has significantly contributed to the company's growth. Another director Mr. Jeetendra Jaykumar Dharu Gujar has more than 20 years of working experience. He is heading the function of marketing and procurement of materials for SDIPL. Another director Mr. Karan Jitendra Ruparel has more than 5 years of working experience.

Significant improvement in the total income and profits during the FY23.

SDIPL's total income increased significantly by 55% YoY from ~INR6531.35 crore in FY22 to ~INR10092.08 crore in FY23. The EBITDA in absolute term increased by 108.20% YoY from ~INR116.10 crore in FY22 to ~INR241.72 crore in FY23, the PAT also improved by 153.64% YoY from ~INR76.08 crore in FY22 to ~INR192.97 crore in FY23. As a consequence of better profits, the gross cash accruals of the Company improved from INR116.69 crore in FY22 to INR294.54 crore in FY23. The company's TOI in 9MFY24 declined by 49.41% as compared to 9FY23 due to restrictions on export of sugar from government. The company's profitability improved with EBITDA margin improved from 3.88% in 9MFY23 to 5.07% in 9MFY24 and PAT margin also improved from 2.06% in 9MFY23 to 2.45% in 9MFY24.

Established market position and diversified product profile

SDIPL is primarily engaged in trading of sugar in both domestic and international markets. In last 6-7 years SDIPL has ventured into manufacturing activities of sugar, milk and distillery unit 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 regulate the sugar trade in International Market and thus created a niche for itself. The company has completed the project of expanding capacity of its distillery unit from 105 KLPD to 210 KLPD in the current financial year. This not only had a favourable impact on SDIPL’s TOI but also improved the overall margin as the EBITDA margin of distillery operations is higher than the EBITDA margins of sugar trading, and sugar manufacturing businesses. The improvement in EBIDTA margins will be a key credit determinant going forward.

Moderate capital structure and debt protection metrics

The capital structure of the company remained moderate with overall gearing ratio of 1.23x as on March 31, 2023 compared to 1.25x as on March 31, 2022. Long term debt-equity ratio improved slightly from 0.27x as on March 31, 2022 to 0.17x as on March 31, 2023. Interest coverage ratio improved from 2.46x in FY22 to 6.15x in FY23.

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 support the sugar industry.

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 SDPIL 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 govern 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 Approach

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of assigning rating outlook

Liquidity –Adequate

The company has improved current ratio to 1.12x as on March 31, 2023, as against 1.06x as on March 31, 2022. The GCA of each of the years between FY24 and FY26 comfortably cover the debt repayments due in the respective years.

About the company:

SDIPL is a private limited company registered under companies act, 1956 with registered office at Kolkata, West Bengal. It is engaged in sugar trading, manufacturing of sugar, milk processing etc. SDIPL was incorporated in 2012 by Mr Premji Ruparel who is the founder of Shri Dutt Group. Over the years it has grown into a large establishment. It is presently into the business of sugar trading, sugar manufacturing and dairy business. Currently, the company has 15,000 TPD sugar production plant (Sangli, Satara), 210 KLPD Distillery/Ethanol plant (Satara), 1000 TPD of sugar refinery (Kandla), 4.5 Lakh LPD Milk Processing Plant (Hamidwada, Turbhey MIDC Navi Mumbai), 10TPD Milk Powder Plant (Hamidwada).

Financials (Standalone): **(Rs crore)**

For the year ended/As on*	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	6531.35	10092.08
EBITDA	116.10	241.72
PAT	76.08	192.97
Total Debt	586.24	929.70
Tangible Net Worth (including quasi equity)	469.98	755.40
Ratios		
EBITDA Margin (%)	1.78	2.40
PAT Margin (%)	1.15	1.89
Overall Gearing Ratio including Quasi Equity (x)	1.25x	1.23x

* *Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: None

Any other information: Nil

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 (December 12, 2022)	Date(s) & Rating(s) assigned in 2021-22 (September 30, 2021)	Date(s) & Rating(s) assigned in 2020-21 (July 01, 2020)
1.	Cash Credit	Long term	110.00	IVR BBB+/ Stable	IVR BBB+/ Positive	IVR BBB/ Stable	IVR BBB- / Stable
2.	Term Loan	Long term	159.40	IVR BBB+/ Stable	IVR BBB+/ Positive	IVR BBB/ Stable	IVR BBB- / Stable
3.	EPC/PCFC	Long Term	410.00	IVR BBB+/ Stable	IVR BBB+/ Positive	IVR BBB/ Stable	IVR BBB- / Stable
4.	WHR	Long Term	194.97	IVR BBB+/ Stable	IVR BBB+/ Positive	IVR BBB/ Stable	IVR BBB- / Stable
5.	Bank Guarantee	Short Term	10.00	IVR A2	IVR A2	IVR A3+	IVR A3
6.	Derivative-Forward Contract	Short Term	16.00	IVR A2	IVR A2	IVR A3+	IVR A3

Name and Contact Details of the Rating Analyst:

Name: Jyotsna Gadgil

Tel: 020 29913006

Email: jyotsna.gadgil@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 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 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: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	Revolving	110.00	IVR BBB+/ Stable
Term Loan	-	-	Feb 2029	159.40	IVR BBB+/ Stable

Export Packaging Credit	-	-	-	410.00	IVR BBB+/ Stable
Warehousing Receipt	-	-	-	194.97	IVR BBB+/ Stable
Bank Guarantee	-	-	-	10.00	IVR A2
Derivative- Forward Contracts	-	-	-	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-jan24.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