



Press Release

Shri Vighnagar Sahakari Sakhar Karkhana Limited (SVSSKL)

August 20, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	290.50	IVR BBB-/Positive (IVR Triple B minus with positive outlook)	--	Assigned	Simple
Total	290.50 (Rupees Two Hundred - Ninety crore and Fifty Lakh 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 assigned its rating to the Bank facilities of SVSSKL derives strengths from improved profitability despite declined in revenue, comfortable net worth and capital structure, comfortable debt protection metrics, integrated operations, and extensive experience of the members of the society and long-lasting presence in the market. However, these rating strengths are partially constraint by elongated working capital cycle, exposure to risk related to government regulations, cyclical nature of the sugar business.

The outlook is "Positive" on account of expected improvement in revenue and profitability through FY25-FY27 with higher capacity of distillery and Ethanol and expected higher realisation in sugar. Infomerics believes that SVSSKL will continue to get benefit from its long operational track record in the business and good sugar recovery rate.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in revenue and profitability and/or improvement in working capital cycle leading.

Downward Factors

- Sustained declined in revenue and profitability and/or any unplanned debt led capex and/or any deterioration in working capital cycle.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Improved Profitability despite declined in revenue:

SVSSKL's EBITDA margins improved to 12.97% in FY24 (refers period from 01st April 23 to 31st March 24) (FY23: 7.67%) with benefits of increased capacity of distillery unit which was operational from day one of sugar season 2023-24 which has resulted in additional profit of Rs. 16.00 crore during FY24 as compared to Rs.9.00 crore in FY23 as well as due to benefits of higher realisation of Sugar (realisation of Sugar improved to Rs.3,524 per quintal during FY24 (FY23: Rs.3,363 per quintal).

However, revenue has declined to Rs.436.55 crore in FY24 as compared to Rs.634.88 crore due to lower exports of sugar as government of India has imposed ban on export during FY24. Infomerics expects revenue to improve from FY25 onwards with higher sugar realisations as well as higher sales volume as government is expected to lift the ban on sugar.

Comfortable Net worth and Capital Structure:

SVSSKL's capital structure remained comfortable with net worth of Rs. 280.75 crore as on March 31, 2024, as against Rs. 241.80 crore as on March 31, 2023. The net worth increased due to profit accretion. The capital structure marked by overall gearing and TOL/TNW remained comfortable at 1.14x and 1.70x respectively as on March 31, 2024, despite increased in working capital facilities (March 31, 2023: 1.07x and 1.63x respectively).

Comfortable debt protection metrics:

The debt protection metrics slightly improved and remained comfortable with interest coverage at 2.27x in FY24 (FY23:1.82x) due to improve in EBITDA. The total debt to NCA slightly improved but remained high at 8.94x in FY24 (FY23: 10.92x) due to increase in the short-term debt, however, Infomerics derives comfort as majority of the debt consists of working capital borrowings.



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Benefits from integrated operations:

SVSSKL's operations are fully integrated in nature which has led to better absorption of fixed cost and any increase in the raw material cost. SVSSKL's crushing capacity is 5000 TCD per day. The sugar recovery increased in FY24 and stood at 11.63% (FY23: 11.59%), which is quite good. Also, the operational days increased to 179 days in FY24 (FY23: 159 days). Additionally, the integrated plant include distillery of 65 kilo liters per day (KLPD) and a co-generation plant of 21 mega-watts (MW). The cogeneration and distillery units provide alternate revenue streams and some cushion against cyclical in sugar business. Furthermore, integrated nature of operations supports overall profitability of SVSSKL.

Extensive Experience of the members of the society and long-lasting presence in the market:

SVSSKL have an operational track record of over four decades and maintains a strong presence in the sugar industry. The company operates an integrated sugar plant in Junner, Pune, which includes sugar manufacturing, a co-generation plant, and a distillery unit. The plant is currently running at full capacity. SVSSKL has cultivated strong relationships with its member farmers, who play a crucial role in ensuring the timely procurement of sugarcane for the society. The Society is led by a team of well qualified and experienced professionals. Recently the society got the second price for best technical efficiency by the National Federation of Cooperative Sugar Factories.

Key Rating Weaknesses

Elongated working capital cycle

In FY24, the company's net operating cycle elongated to 262 days from 182 days in FY23, mainly because inventory days increased to 264 days from 177 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.



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Exposure to risk related to government regulations

The sugar industry faces significant risks associated with government regulations. Numerous government acts regulate virtually all aspects of the business, including the availability and pricing of sugarcane, sugar trade, and by-product pricing. Specifically, the procurement of sugarcane is governed by the Sugarcane (Control) Order, 1966, which mandates that sugar mills source their sugarcane exclusively from designated command areas allocated to them.

Cyclical nature of the sugar business

The key factors influencing domestic sugar supply for a given sugar season include domestic sugar production, opening stock levels, global sugar production, and sugar imports. The industry exhibits high cyclicity due to fluctuations in sugarcane production, with typical cycles lasting three to five years. As prices fall, production adjusts accordingly, leading to reduced supplies. This, in turn, causes price increases and stimulates higher production in response.

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](#)

Liquidity – Adequate

The liquidity of SVSSKL remains adequate with gross cash accruals of Rs. 35.88 crore in FY24. The expected gross cash accruals will remain in the range of at Rs. 48.10 crore - Rs. 51.90 crore and the repayment will remain in the range of Rs. 28.11 crore - Rs. 23.27 crore for FY25 - FY27. The average cash credit utilisation for last twelve months ended in June 2024 remained moderate at 51.96%. The current ratio and quick ratio stood at 1.07x and 0.13x as on March 31, 2024, respectively. Also, the company does not have debt led capex. Hence, the overall liquidity is adequate.



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About the Company

In 1981, Nivrutti Sheth Sherkar established the Shri Vighnagar Cooperative Sugar Factory. The society manufactures sugar and its by-products, and its plants is in Junner, Pune, Maharashtra with a designed capacity of 5,000 metric tons, the factory is operating at 6,000 metric tons. In addition, the co-generation plant, with a 21 MW capacity, and the distillery project, with a 30,000 KL/day capacity, are running efficiently.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	634.88	436.55
EBITDA	48.69	56.64
PAT	12.14	24.06
Total Debt	259.24	320.75
Tangible Net Worth	241.80	280.75
EBITDA Margin (%)	7.67	12.97
PAT Margin (%)	1.91	5.46
Overall Gearing Ratio (x)	1.07	1.14
Interest Coverage (x)	1.82	2.27

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: CRISIL Ratings has continued to classify the bank facilities under the ISSUER NOT CO-OPERATING category on account of non – availability of information vide it's press release dated on April 30, 2024.

Any other information:

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	Date(s) & Rating(s) assigned	Date(s) & Rating(s) assigned
1.	Term Loan	Long Term	69.81	IVR BBB-/Positive	--	--	--
2.	SDF Term Loan	Long Term	0.69	IVR BBB-/Positive	--	--	--
3.	Cash Credit	Long Term	220.00	IVR BBB-/Positive	--	--	--



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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).

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.

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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	--	--	--	2025	69.81	IVR BBB- /Positive
SDF Term Loan	--	--	--	2025	0.69	IVR BBB- /Positive
Cash Credit	--	--	--	--	220.00	IVR BBB- /Positive

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Vighnagar-Sahakari-aug24.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.