



Press Release

Sir Shadi Lal Enterprises Limited

September 30, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Rating	Previous Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	128.23	IVR B Plus; Stable Outlook (IVR Single B Plus with Stable Outlook)	IVR B Plus; Stable Outlook (IVR Single B Plus with Stable Outlook)	Reaffirmed	Simple
Total	128.23	Rupees One hundred Twenty-Eight Crore and Twenty-Three Lakhs Only			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed the long-term rating of IVR B Plus /Stable for the bank loan facilities of Sir Shadi Lal Enterprises Limited.

The rating draws comfort from experienced promoters and management, locational advantage. However, these strengths are partially offset by negative tangible net worth with weak debt protection metrics, agro climatic factors, regulatory risks and cyclical nature of the sugar business.

IVR has principally relied on the standalone audited financial results of Sir Shadi Lal Enterprises Limited upto 31 March 2022, and projected financials for FY23, FY24 and FY25, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Maintenance of adequate liquidity
- Improvement in the profitability margins
- Consistent improvement in operational income

Downward Factors

- Decline in profitability due to any company or industry related factors leading to deterioration in debt protection metrics
- Any adverse government regulations



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and management:

The company have established presence in the industry since 1933. The directors are well qualified and have extensive experience in the business. The top management is also experienced and are from diverse backgrounds. The company has also built strong relationships with the customers as well as the suppliers.

Locational advantage:

The manufacturing plant for the company is located in Shamli, Uttar Pradesh. Uttar Pradesh is the leading sugar and sugarcane producing state in India.

Key Rating Weaknesses

Negative Tangible net worth with weak debt protection metrics

The firm's net worth stood decreased from Rs. -178.28 crore in FY 21 to Rs -193.84 crore in FY 22 due to accumulated losses with weak capital structure marked by overall gearing and TOL/TNW at -0.80 times and -2.54x respectively as on March 31, 2022. The Interest coverage ratio as well as the Debt service coverage ratio remained weak at 0.18 times and 0.12 times respectively in FY22.

Agro Climatic factors:

Sugarcane is the key input into the business. Sugarcane is a kharif crop, the production of which depends on good monsoons. Any adversity on the timely and adequacy of rainfall, given the highly uneven pattern of rainfall observed in the past few years, would drastically affect the availability and price of sugarcane, thereby affecting profitability of the business.

Regulatory Risks:

The industry is highly regulated with inability to pass increased costs to buyers and lack of control over input prices. Profitability remains vulnerable to government regulations on input prices, finished goods prices via domestic sale quota, import and export restrictions, pricing of power produced etc. The company is exposed to regulatory risks and commodity price



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risks due to its nature of operations. Adverse price movement of input raw cane and finished products due to regulatory guidelines without adequate compensation, would impact operating margins of the company and affect its debt servicing capability. Further, payment of cane prices are subject to political guidelines, whereas recovery of sale revenues would be market linked. This is likely to cause liquidity mismatches in the business operations of the company.

Cyclical nature of the sugar business:

The key parameters of the sugar supply in the domestic market for a given sugar season is 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: For arriving at the ratings, IVR has analyzed Sir Shadi Lal Enterprises Limited's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for Rating outlook](#)

Liquidity – Stretched

The company has a Current Ratio of 0.47x as of March 31, 2022. The company fund-based working capital limits remained fully utilised at ~90% during the past 12 months ended July 2022. The company is expected to generate sufficient cash accruals against its debt obligation repayments in projected period. However, in the short term, the company is expected to generate positive cash accruals, but liquidity is marked stretched with insufficient cushion available to meet its debt obligation. The debt obligations are expected to be met through funding support from promoters. The company has cash and cash equivalents amounting to Rs. 7.20 crore as on March 31, 2022. All these factors reflect stretched liquidity position of the company.



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About the company

Sir Shadi Lal Enterprises Limited was established as a Corporate Body in the year 1933 under the name "The Upper Doab Sugar Mills Limited" by the Rt. Hon'ble Sir ShadiLal. The name of company was changed to Sir Shadilal Enterprises Limited in the year 1982. At present the Company has two manufacturing units comprising of one sugar unit namely Upper Doab Sugar Mills, Shamli, District - Shamli, Uttar Pradesh - 247776 and one distillery unit Shamli Distillery & Chemical Works, Shamli, District - Shamli, Uttar Pradesh – 247776.

Financials (Standalone):

For the year ended as on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	549.25	469.99
EBITDA	2.84	2.04
PAT	-14.10	-15.56
Total Debt	169.55	154.79
Tangible Net worth	-178.28	-193.84
EBITDA Margin (%)	0.52%	0.43%
PAT Margin (%)	-2.56%	-3.31%
Overall Gearing Ratio (x)	-0.95	-0.80

Status of non-cooperation with previous CRA: Issuer was moved to non-co-operation category by CRISIL vide press release dated March 30, 2022, due to non-availability of information.

Any other information: Not Applicable

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Tenure	Amount	Rating	Date(s) & Rating(s) assigned in 2021-22(September 25, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund based	Long Term	128.23	IVR B Plus /Stable (IVR Single B Plus	IVR B Plus /Stable (IVR Single B Plus	-	-



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				with Stable Outlook)	with Stable Outlook)		
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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

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, suspend 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.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	March 2026	9.57	IVR B Plus /Stable (IVR Single B Plus with Stable Outlook)
Term Loan	-	-	June 2024	30.67	IVR B Plus /Stable (IVR Single B Plus with Stable Outlook)
Term Loan	-	-	March 2026	18.57	IVR B Plus /Stable (IVR Single B Plus with Stable Outlook)
Term Loan	-	-	December 2028	12.42	IVR B Plus /Stable (IVR Single B Plus with Stable Outlook)
Cash Credit	-	-	-	16.00	IVR B Plus /Stable (IVR Single B Plus with Stable Outlook)
Cash Credit	-	-	-	41.00	IVR B Plus /Stable (IVR Single B Plus with Stable Outlook)

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Sir-ShadiLal-sep22.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 [Complexity Level of Rated Instruments/Facilities](#).