



## Press Release

### **Shri Vighnagar Sahakari Sakhar Karkhana Limited**

**February 18, 2025**

#### **Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. crore)</b>	<b>Current Ratings</b>	<b>Previous Rating</b>	<b>Rating Action</b>	<b>Complexity Indicator</b>
Long term Bank Facilities	289.81 (reduced from 290.50)	IVR BBB-/Positive (IVR Triple B minus with positive outlook)	IVR BBB-/Positive (IVR Triple B minus with positive outlook)	Rating Reaffirmed	<a href="#">Simple</a>
Long term Bank Facilities – term loan	132.00	IVR BBB-/Positive (IVR Triple B minus with positive outlook)	--	Rating Assigned	<a href="#">Simple</a>
Long term Bank Facilities** - SDF Term Loan	0.00 (reduced from 0.69)	--	IVR BBB-/Positive (IVR Triple B minus with positive outlook)	Rating Withdrawn	<a href="#">Simple</a>
<b>Total</b>	<b>Rs. 421.81 (Rs. Four Hundred and Twenty-One crore and Eighty-One lakh only)</b>				

*\*\*Withdrawn, since repaid fully.*

**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 reaffirmed/assigned its ratings to the Bank facilities of SVSSKL as it derives strengths from improved profitability in 9MFY25, 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 project implementation risk, elongated working capital cycle, exposure to risk related to government regulations, cyclical nature of the sugar business.

The positive outlook reflects increase in revenue and profitability in 9MFY25 due to capacity expansion of sugar division to 7500 TCD from 5000 TCD and backed by long operational track record of the society.

Infomerics Ratings has simultaneously withdrawn outstanding SDF Term Loan worth Rs. 0.69 crore based on No Due certificate received from N.C.D.C. (National Cooperative Development Corporation) dated Nov 18, 2024, and at the request of the society. The rating withdrawn is in line with Infomerics' policy on withdrawal of ratings.



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### Key Rating Sensitivities:

#### Upward Factors

- ✓ Completion of capacity additions without any time and cost overrun and achievement of revenue and profitability while attaining geographical diversification.
- ✓ Sustained improvement in revenue and profitability and/or improvement in working capital cycle leading.

#### Downward Factors

- ✓ Any time or cost overrun in current capex plans and/or any declined in revenue and profitability and/or any further elongation of working capital cycle leading to deterioration in credit profile and the liquidity.
- ✓ Sustained declined in revenue and profitability and/or any unplanned debt led capex and/or any deterioration in working capital cycle.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### Improved operating performance in 9MFY25:

The total operating income (TOI) for 9MFY25 (period refers from April 01, 2024, to Dec 31, 2024) improved by 18% to Rs. 487.38 crore, compared to Rs. 413.04 crore in 9MFY24. This growth was mainly on account of lifting up the government's ban on ethanol blending, the removal of restrictions on sugar exports and along with an additional 29 days of crushing of previous year. Furthermore, the society has already achieved ~79% of its projected TOI for FY25. The EBITDA margin saw a slight improvement to 13.50% in 9MFY25 (9MFY24: 13.26%), attributed to a reduction in sugar cane realizations, which also led to an increase in the PAT margin to 7.40% (9MFY24: 6.55%). Infomerics expects that the ongoing capital expenditure (capex) with crushing capacity set to increase to 7,500 TCD from 5000 TCD, will further boost the revenue, thereby enhancing profitability.

### Comfortable Net worth and Capital Structure:



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SVSSKL's capital structure remained comfortable marked by overall gearing and TOL/TNW remained comfortable at 1.14x and 1.70x respectively as on March 31, 2024, due to increase in the short-term borrowings (March 31, 2023: 1.07x and 1.63x respectively).

The net worth of Rs. 280.75 crore as on March 31, 2024, as against Rs. 241.80 crore as on March 31, 2023 due to profit accretion.

### **Comfortable debt protection metrics:**

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

### **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 cyclicity 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.



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### **Key Rating Weaknesses**

#### **Project Implementation Risk:**

The society is in the process of modernizing and expanding its existing sugar mill, increasing its capacity from 5,000 TCD to 7,500 TCD. The total project cost is Rs. 188.91 crore, with Rs. 132.00 crore financed through debt and the remaining Rs. 56.91 crore sourced from internal accruals and members' deposits. The project includes the major cost for Plant and Machineries of Rs. 176.17 crore and remaining cost for other expenses. The installation of project commenced from October 2024. As per the LIE report ~93% of the project is already completed i.e. the pace of the project is ahead of the schedule time. The trial runs have been completed in December 2024 (which was earlier scheduled for October 2025). The revised SCOD is February 2025 (revised from November 2025).

#### **Elongated working capital cycle**

The net operating cycle increased and stood at 262 days in FY24 as against 182 days in FY23 due to higher inventory days of 264 days in FY24 (FY23: 177 days) as the sugar companies are required to keep sufficient inventory so that the demands are fulfilled as and when the demand arises.

#### **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



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industry exhibits high cyclicalality 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:**

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

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

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

[Policy on Withdrawal of Ratings](#)

### **Liquidity – Adequate**

The liquidity of the society 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. 65.20 crore - Rs. 84.97 crore and the repayment will remain in the range of Rs. 34.35 crore - Rs. 23.57 crore for FY25 - FY27. The average cash credit utilisation for last twelve months ended in December 2024 remained moderate at 40.55%. The current ratio stood at 1.07x as on March 31, 2024. Additionally, the free cash and cash equivalents is Rs. 8.58 crore as December 2024 indicating adequate liquidity.

### **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.





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### Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	634.88	436.55
EBITDA	48.69	56.64
PAT	12.14	24.06
Total Debt	259.24	320.75
Adjusted 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: Nil**

**Any other information: Nil**

### 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 (2022-23)	Date(s) & Rating(s) assigned
					Date: Aug 20, 2024	Date:	
1.	Term Loan	Long Term	69.81	IVR BBB-/Positive	IVR BBB-/Positive	--	--
2.	Term Loan	Long Term	132.00	IVR BBB-/Positive	--	--	--
3.	Cash Credit	Long Term	220.00	IVR BBB-/Positive	IVR BBB-/Positive	--	--
4.	SDF Term Loan**	Long Term	0.00	--	IVR BBB-/Positive	--	--

\*\*Outstanding Term Loan worth Rs. 0.69 crore has been withdrawn based on NDC dated Nov 18, 2024 and at the request of the society, as it is fully paid off.

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### About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd ] 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](http://www.infomerics.com).

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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	--	--	--	Jan 2028	69.81	IVR BBB- /Positive
Term Loan	--	--	--	Mar 2033	132.00	IVR BBB- /Positive
Cash Credit	--	--	--	Revolving	220.00	IVR BBB- /Positive

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-shrivighnagar-feb25.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](http://www.infomerics.com).