Press Release

Swaraj Green Power and Fuel Limited

Feb 09, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Issuer Rating	NA	IVR BBB[IS]/ Stable (IVR Triple B[IS] with stable outlook)	Assigned	N.A

Details of Facilities are in Annexure 1

Detailed Rationale

The issuer rating assigned swaraj green power and fuel limited drives comfort from extensive experience of the promoter, proximity to sugar cane growing area and moderate recovery rate, healthy operating performance and satisfactory financial risk profile. however, the rating strengths continues to be constrained by working capital intensive nature of operations, agro climatic factors and exposure to risk related to government regulations

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income and improvement in profitability
- Sustenance of the capital structure and improvement in debt protection metrics

Downward Factors

- Moderation in operating income and/or cash accrual or deterioration in operating margin, any stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure affecting the financial risk profile, particularly liquidity.
- Withdrawal of subordinated unsecured loan

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters in the sugar industry:

The management has been engaged in the sugar business for several decades; the commercial operations was started in the year 2014-15, with capacity of 2000 Tonnes Crushed per Day (TCD). Since then, the company has survived several downturns and has grown its scale to 5000 TCD and distillery unit with capacity of 60 KLPD. The company has plans to expand it's capacity of distillery unit to 500 KLPD, expected to be commissioned by July 2023.

Proximity to sugar cane growing area and moderate recovery rate

The primary raw material, sugarcane, is available in abundant quantity in nearby area. The presence in sugarcane growing area gives a competitive advantage in terms of easy availability of quality sugarcane and lower freight. The recovery rate of the company remained moderate at 8.48% with a recovery of molasses at 4.34% and bagasse recovery at 27.45% in FY21. (9.60% ,3.97% and 26.59% in FY20).

Healthy Operating Performance

Despite the impact of COVID-19, SGPFL revenue increased to Rs 317.52 crore in FY21 (FY20: Rs 233.19 crore) led by the sugar and distillery division's strong performance. Furthermore, the absolute value of EBITDA also improved from Rs 53.77 crore in FY20 to Rs 67.57crore in FY21. However, the PAT declined from Rs 12.18 crore to Rs 10.46 crore in FY21 owing to deferred tax adjustment. The company has achieved total operating income of Rs 370.63 crore and EBITDA of Rs 83.98 crore as on 9MFY22.

Satisfactory financial risk profile:

The net worth of SGPFL stood comfortable at Rs 147.59 crore (including unsecured loan of Rs 38.35 crore treated as quasi equity) as on March 31,2021. The long term debt equity ratio and overall gearing ratio stood comfortable at 1.54x and 2.43x respectively as on March 31, 2021 along with total debt of the company comprises of Rs 183.31 crore of term loan, repayment of term loan is Rs 44.63 crore and bank borrowing of Rs 131.04 crore. The total indebtedness of the company as reflected by TOL/TNW improved from 4.09x as on March 31, 2020 to 3.78x as on March 31, 2021. The debt protection metrics of the company remained average over the years marked by its satisfactory gross cash accruals. The gross cash accruals of the company witnessed a steady improvement from Rs.31.45 crore in FY19 to Rs.50.58 crore in FY21. The interest coverage improved yet remained comfortable at 2.38x in

FY21 (2.18x in FY20) driven by increase in absolute EBITDA. Total debt to GCA remained moderate at 7.10 years in FY21

Key Rating Weaknesses

Agro Climatic factors

Sugarcane is the key input into the sugar industry and is dependent on timely monsoons. Any adversity on the timely and adequacy of rainfall, given highly uneven pattern of rainfall observed in the last few years, would drastically affect the availability and price of raw material thereby affecting profitability of the company.

Working capital intensive nature of operations

The operations in sugar and ethanol sector are capital intensive. The working capital cycle of the company is elongated and stood at 307 days largely driven by high inventory of around 272 days, because of seasonal nature of business (crop season from October to April) and hence there is a peak build-up of sugar inventories at the fiscal end for sale next year, resulting in peak working capital requirements.

Exposure to risk 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.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity –Adequate

SGPFL earned a GCA of Rs.50.58 crore as against its repayment obligation of Rs.44.63 crore as on March 31,2021. The average utilisation of SGPFL remained moderately utilised at~ 80% during the past 12 months ended October, 2021 and pledged limit utilised at 21% during the past 12 months ended October 2021 indicating an adequate liquidity buffer. The company has a Current Ratio of 1.51 x as of March 31, 2021. The free cash & cash equivalent was Rs10.98. Crore as on March 31,2021. Liquidity is expected to remain Adequate.

About the Company

Incorporated in 2010, Swaraj Green Power & Fuel Ltd. (SGPFL) (erstwhile known as Swaraj India Agro Ltd) is engaged manufacturing of sugar at a installed sugar crushing capacity of 5000 TCD, co-generation unit of 19.50 MW and distillery unit of 60 KLPD along in a fully integrated plant located in Phaltan Taluka of Satara District of Maharashtra state. The plant is spread over 87.50 Acres of Land in Phaltan, Satara.

The company proposes to add the following facilities:

- Increase the Distillery plant from 60- KLPD to 500 KLPD.
- Proposes to modernize and upgrade the Existing Sugar Plant
- Undertaking some site development in the existing land

Financials (Standalone):

For the year ended*/As on	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	233.19	317.52
EBITDA	53.77	67.57
PAT	12.18	10.46
Total Debt	294.58	358.98
Tangible Net worth	120.80	147.59
EBITDA Margin (%)	23.06	21.28
PAT Margin (%)	4.86	3.16
Overall Gearing Ratio (x)	2.44	2.43

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Issuer not cooperating by BWR vide press release dated Dec 15, 2021 due to non-availability of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Issuer Rating	NA	NA	IVR BBB[IS]/ Stable (IVR Triple B[IS] with stable outlook)	--	--	--

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About Infomerics:

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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
Issuer Rating	-	-	-	NA	IVR BBB[IS]/ Stable (IVR Triple B[IS] with stable outlook)

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

Annexure 3: Facility wise lender details: Not Applicable

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.