

## Indian Sucrose Limited

March 07, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	150.00	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB (Double B) and moved to ISSUER NOT COOPERATING category and removed from Credit watch with Developing Implications; Stable outlook assigned
<b>Total Bank Facilities</b>	<b>150.00 (Rs. One Hundred Fifty Crore Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Indian Sucrose Limited to monitor the rating(s) vide e-mail communications/letters dated September 27, 2021, Jan 22, 2022, Feb 09, 2022, Feb 15, 2022, Feb 18, 2022, March 01, 2022, March 02, 2022 and March 03, 2022 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Indian Sucrose Ltd.'s bank facilities will now be denoted as **CARE BB-; Stable ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

### Rating Sensitivities

#### Positive Factors - Factors that could lead to positive rating action/upgrade:

- Ability of company to scale up its operations by more than 20% on a sustained basis with further integration in its operations.
- Ability of the company to reduce its overall gearing to 1.50x or less on a sustained basis.

#### Negative Factors- Factors that could lead to negative rating action/downgrade:

- Reduction of PBILDT margin below 7.00% on a sustained basis.
- Any elongation in the collection and inventory period leading to working capital cycle of more than 150 days.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

#### Working capital intensive nature of operations

Working capital intensive nature of operations Sugar industry being seasonal in nature has high working capital requirements during the peak season from November to April. The working capital borrowings usually remain fully utilized. Consequently, the operating cycle is also elongated and the same stood at 105 days in FY21 (PY: 68 days), primarily on account of increase in inventory holding period to 194 days (PY: 171 days) and collection days to 53 days (PY: 30 days). ISL is largely reliant on the sugar segment alone as almost 90% of its total operating income is contributed by the sugar segment and hence is more vulnerable to sugar cyclicity vis-à-vis other players who are forward integrated into distillery & Cogenerations. ISL's sugar mill operations are partially forward integrated in the form of a 19.5MW cogeneration unit which is largely for captive consumption and some units are sold to Punjab State Power Corporation Limited (PSPCL) with power unit contributing ~3% to its total operating income. The company had announced a brownfield project for expansion of existing sugar mill from current 5000TCD to 12000 TCD with estimated cost of Rs.100 crore and cogeneration of power plant (from present 19.5 MW to 40 MW) which will cost approx. Rs.188 crores. Also, company had announced a greenfield project for molasses-based distillery with capacity of 120 KLD and cost for the project is estimated around Rs.192 crores.

#### Regulatory nature of sugar industry

The industry is cyclical by nature and is vulnerable to the government policies for various reasons like its importance in the Wholesale Price Index (WPI) as it classifies as an essential commodity. The government on its part resorts to various regulations like fixing the raw material prices in the form of State Advised Prices (SAP) and Fair & Remunerative Prices (FRP). All these factors impact the cultivation patterns of sugarcane in the country and thus affect the profitability of the sugar companies.

#### Cyclical nature of sugar business

The industry is cyclical in nature on account of variations in the sugarcane production in the country. The farmers reduce the area under cultivation for sugarcane in the country on delays in sugarcane payments to the farmers by the mill owners. The reduction

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

in area results in lower sugarcane availability thus driving the sugar prices to higher levels. The farmers increase the area under sugarcane cultivation on expectation of higher sugar prices.

### Key Rating Strengths

#### Experienced promoters along with established & long track record of operations

The company was originally promoted by OSWAL GROUP as Oswal Sugars Ltd in 1989 and the present management, Yadu Corporation, took over the control of the company in the year 2000. MD of the company, Mr. Kunal Yadav, has an MBA degree from LBS (UK) and experience of over 15 years in sugar & beverage industry. With over 25 years of presence, ISL is an established player in the sugar industry. It sells white crystal sugar under the brand name 'Sweeto'. At present ISL has sugarcane crushing capacity of 9000 TCD and is supported by over 300 employees including contractual labour. The company also has an installed capacity for Co-Generation production which stood at 19.50 MW as on March 31, 2021.

#### Moderate financial risk profile

The total income from operations declined by 18.46% to Rs.434.21 crores in FY21 (PY: Rs. 532.49 crores) attributable to the lower sugar sales during the year. The sales from molasses also declined from Rs 27.88 cr. in FY20 to Rs.24.53 crore in FY21. PBILDT margin of company has improved 9.58% in FY20 to 12.97% in FY21 due to lower cost of raw material consumed.

Overall gearing of the company stood at 1.84x as on March 31, 2021 (PY:1.65x) which deteriorated slightly on account of an increase in total debt of the company as on March 31, 2021. Improvement in profitability resulted in improved interest coverage with PBILDT & PBIT interest coverage of 3.10x (PY: 2.05x) & 2.68x (PY: 1.72) respectively for FY21. During FY21, Total Debt/GCA of the company improved to 6.71x in FY21 from 6.97x in FY20.

During 9MFY22 (refers to April 01 to December 31), the TOI of company has increased to Rs. 233.47 crore from Rs. 223.36 crore in 9MFY21, primarily on account of high sugar sales. PBILDT and PAT margins of company have improved during 9MFY22 to 10.17% and 7.07% respectively against 9.93% and 0.91% in Q1FY21 due to high sugar realization in 9MFY22.

#### Liquidity: Stretched

The company has stretched liquidity position marked by cash and bank balance of Rs. 2.94 crore as on March 31, 2021 (including current account balance of Rs. 2.38 crores and cash in hand of Rs 0.56). Operating cycle elongated and stood at 105 days in FY21 as against 68 days in FY20. Average Inventory days increased to 194 days in FY21 from 171 days in FY20. The company fully utilizes its working capital limits as confirmed with the banker for past twelve months. The current ratio stood at 1.01x as on March 31, 2021 as against 0.88x as on March 31, 2020. The current ratio increased due to high receivables. The company had announced a brownfield project for expansion of existing sugar mill from current 5000TCD to 12000 TCD with estimated cost of Rs.100 crore and cogeneration of power plant (from present 19.5 MW to 40 MW) which will cost approx. Rs.188 crores. Also, company had announced a greenfield project for molasses-based distillery with capacity of 120 KLD and cost for the project is estimated around Rs.192 crores.

**Analytical approach:** Standalone

#### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

[Sugar](#)

#### About the Company

Indian Sucre Limited (ISL), incorporated on 12th December 1990, was originally promoted by Oswal Group as Oswal Sugars Limited with an initial installed capacity of 2500 TCD (Tonnes cane per day). The present management, Yadu Corporation, took control of the company in the year 2000. The Managing Director of the company, Mr. Kunal Yadav, has an MBA degree from LBS (UK) & an experience of over 15 years in the sugar & beverage industries. At present, ISL is engaged in the manufacturing of white crystal sugar & its by-products such as molasses & bagasse, with a cane crushing capacity of 9000 TCD. The company also co-generates power with current aggregate capacity of 19.5 MW, out of which surplus of approx. 6 MW is supplied to Punjab State Power Corporation Limited (PSPCL).

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	533.66	434.10	233.47
PBILDT	52.16	56.13	23.75
PAT	12.28	22.37	16.51
Overall gearing (times)	1.10	1.84	NA
Interest coverage (times)	2.09	3.10	2.11

A: Audited; UA: Unaudited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Disclosure of Interest of Independent/Non-Executive Directors of CARE Ratings Ltd.:** Not Applicable

**Disclosure of Interest of Managing Director & CEO:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	150.00	CARE BB-; Stable; ISSUER NOT COOPERATING*

#### Annexure-2: Rating History of last three years

Sr. No	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	150.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	1)CARE BB (CWD) (29-Sep-21)	1)CARE BB; Stable (24-Mar-21)	1)CARE BB; Stable (31-Jan-20)	1)CARE BB; Stable (04-Mar-19) 2)CARE BB; Stable (04-May-18)

\*Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** NA

#### Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple

#### Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

### Disclaimer

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