

Bannari Amman Sugars Limited

December 12, 2022

Ratings

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	948.75 (Enhanced from 817.75)	CARE A+; Stable (Single A Plus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	15.00	CARE A+; Stable / CARE A1+ (Single A Plus ; Outlook: Stable/ A One Plus)	Reaffirmed
Short Term Bank Facilities	5.00	CARE A1+ (A One Plus)	Reaffirmed
Short Term Bank Facilities	-	-	Withdrawn
Total Bank Facilities	968.75 (₹ Nine Hundred Sixty-Eight Crore and Seventy-Five Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of Bannari Amman Sugars Limited (BASL) continue to factor in the well-established and long track record of the company in the sugar industry, integrated nature of operations with income from distilleries and power including income derived from the granite business. The ratings also factor in improved scale of operations in FY22 and H1FY23, completion of expansion and modernisation of distilleries, comfortable operating profit margins and comfortable capital structure as on March 31, 2022. The ratings also take note of the moderation in profits in FY22 (refers to the period April 01 to March 31) driven by increase in cost of raw materials. However, the company exhibited improvement in profitability margins in H1FY23 and same is expected to continue in H2FY23 due to improved realisations. The ratings, however, continue to be constrained by the lower sugarcane recovery rates, susceptibility of the revenues and profitability to the demand-supply dynamics, susceptibility to agro-climatic conditions, cyclical and highly regulated nature of the industry.

Certain portion of the short-term bank facilities are withdrawn at the request of the company as the same were proposed in nature and the company has not availed any bank facilities against it.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Increase in revenues and profitability on sustained basis supported by improvement in recovery rates on sustained basis

Negative factors – Factors that could lead to negative rating action/downgrade:

- Increase in overall gearing above 1.5 times on sustained basis along with increase in term debt to GCA of above 4 times
- Prolonged down trend in the sugar industry impacting revenue and profitability leading to PBILDT margin less than 10% on sustained basis

Detailed description of the key rating drivers

Key rating strengths

Established track record in sugar industry

BASL is the flagship company of the Bannari Amman group with established and successful operational track record of over 30 years in the sugar industry. BASL started production with a single sugar unit in Tamil Nadu with an installed capacity of 1,250 Tonnes Cane per day (TCD). The capacity was increased in phases through expansion in the existing units and also by addition of new units to the current level of 23,700 TCD. Presently, the company has two units located in Karnataka (Mysore and Chamarajanagar district) and three units in Tamil Nadu (Erode, Tiruvannamalai and Kallakurichi district).

Integrated nature of operations; units present in Tamil Nadu and Karnataka providing geographical diversification to an extent

BASL is engaged in the manufacture of sugar, industrial alcohol, bio products, granite products and generation of power through sugar co-gen and windmills. As on October 2022, BASL has aggregate capacity of 23,700 TCD spread across five units (two in Karnataka & three in Tamil Nadu), two distilleries with a combined capacity of 217.5 KLPD and 129.8 MW of co-generation capacity with six power plants. The company also has 7 wind mills having capacity of 1,250 kW each aggregating

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

8.75 MW, in the southern part of Tamil Nadu. Also adjacent to Sugar unit – I, the company has a granite unit which is 100% EOU, processing polished granite slabs and tiles.

Growth in revenue in FY22 & H1FY23 albeit marginal reduction in profitability in FY22

During FY22, BASL's revenues increased by more than 30% to Rs. 1970 crore as compared to Rs. 1507 crore in FY21 driven by growth in sugar revenues (38% y-o-y increase). During FY22, sugar sales volume stood at 45.58 lakh quintals against 35.50 lakh quintals in FY21. Overall crushing increased to 49.01 lakh tonnes in FY22 from 38.31 lakh tonnes in FY21. Power production units increased from 482.34 million units in FY21 to 585.13 million units in FY22. During FY22, BASL registered PAT of Rs. 80 crore and GCA of Rs. 167 crore on TOI as against PAT of Rs.92 crore and GCA of Rs.159 crore in FY21. Performance of the company in terms of revenue booked improved further in H1FY23 with the company reporting Rs. 972 crore in H1FY23 as against Rs. 822 crore in H1FY22. The growth was largely driven by increased revenues in its core sugar business and also from the distillery unit with increased capacity. Moderation in PBILDT margins from 10.40% in FY21 to 9.64% in FY22 was largely due to increase in cost of raw materials. Profitability levels, however, improved in H1FY23 with the company recording a PBILDT level of 14.27% as against a profitability level of 9.97% in H1FY22.

Capital structure continues to be comfortable; low dependence on long-term borrowings

BASL's capital structure continues to remain comfortable with overall gearing of 0.67x as on March 31, 2022 (PY:0.64x). Debt equity ratio remained comfortable at 0.12x as on March 31, 2022 as against 0.15x as on March 31, 2021. Working capital borrowings decreased as on March 31, 2022 as against the previous year due to the high inventory levels.

Completion of distillery expansion project – Karnataka and modernization of distillery unit – Tamil Nadu

The project for expansion of existing Distillery at Nanjangud Taluk, Mysore District, Karnataka from 60 KLPD to 150 KLPD commenced production during December 2021. For this project, BASL has incurred capital expenditure of Rs 150 crore by availing term loan of Rs.75 crore from HDFC Bank Ltd, Rs.46.02 crore from Sugar Development Fund Loan (GOI) and balance from Internal accruals. The Distillery Plant with a capacity of 67.50 KLPD at Chinnapuliur, Bhavani Taluk, Erode District, Tamil Nadu, is more than 30 years old. Hence, the company completed the modernization of the plant at a cost of Rs.50 crore which was totally funded from internal accruals. The modernisation was completed in May 2022.

Key rating weaknesses

Continuation of low sugarcane recovery trends for southern states

The varietal change of sugarcane helped improve recovery rates for sugar mills operating in the northern states of India. However, the same varieties did not yield similar results in the southern states resulting in lower recovery rates for BASL. While recovery rates for BASL has been in the range of 9.0-9.8% for the past five years ended March 31, 2022, sugar mills in the northern states, especially Uttar Pradesh have been able to report recovery rates in the range of 12%. Higher recovery rates lead to reduction in cost of production of sugar thus supporting margins.

Susceptibility of the revenues and profitability to the demand-supply dynamics along with cyclical and regulated nature of sugar industry

Sugar industry is highly regulated industry. Cyclical nature of sugar industry and volatility in prices results in significant impact on operating performance of sugar companies. These apart operations are susceptible to cane availability which is a challenge due to adverse climatic conditions. India also continues to carry high levels of sugar inventory largely due to the controlled release mechanism followed by the Government.

Capital expenditure plans going forward

BASL is in the process of incurring capex of around Rs. 100-120 crore spread across FY23 - FY24 for the purpose of setting up an incineration plant of 2.70 MW at Tamil Nadu distillery at an estimated capex of Rs. 100 crore. The plant will use the waste product of distillery unit as raw material to generate power. The project is expected to be completed by end of FY24. The project is proposed to be funded entirely by internal accruals.

Liquidity: Adequate

As on March 31, 2022, BASL's capital structure continues to remain comfortable with overall gearing of 0.67x (PY: 0.64x) and Debt-equity ratio at 0.12x (PY: 0.15x). The company's capex at Unit II to increase distillery capacity was completed in December 2021 and modernisation of distillery at Tamil Nadu was completed in May 2022. As on September 30, 2022, BASL had free cash and bank balances of Rs. 5.01 crore. For FY23, the company's term debt obligations stand at Rs. 65.80 crore, which can be met comfortably considering the stable performance of the company. Out of the said term debt obligations, the company has already repaid Rs. 34 crore till Nov 2022. Considering the cash accruals generated by the company in the recent past along with its performance during H1FY23, it is expected that the company will be able to generate cash accruals in the range of Rs. 160 crore to Rs. 170 crore during FY23 which is adequate to meet the balance debt obligations during FY23.

Analytical approach

Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Sugar](#)

[Policy on Withdrawal of Ratings](#)

About the company

Bannari Amman Sugars Limited (BASL) is the flagship company of Bannari Amman Group (BAG) and is engaged in the manufacture of sugar, industrial/potable alcohol, bio-compost, granite products and generation of power through windmill and co-generation. Dr. S. V. Balasubramaniam is the chairman of the group.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	1,507.35	1,970.03	972.19
PBILDT	156.75	189.96	138.78
PAT	92.14	79.98	52.62
Overall gearing (times)	0.64	0.67	0.65
Interest coverage (times)	3.98	6.05	5.35

A: Audited; UA: Unaudited

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	745.00	CARE A+; Stable
Fund-based - LT-Term Loan	-	-	-	30/09/2025	203.75	CARE A+; Stable
Fund-based - ST-EPC/PSC	-	-	-	-	5.00	CARE A1+
Fund-based - ST-Working Capital Limits	-	-	-	-	0.00	Withdrawn

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Non-fund-based - LT/ST-Bank Guarantee	-	-	-	-	10.00	CARE A+; Stable / CARE A1+
Non-fund-based - LT/ST-Letter of credit	-	-	-	-	5.00	CARE A+; Stable / CARE A1+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - ST-EPC/PSC	ST	5.00	CARE A1+	-	1)CARE A1+ (03-Dec-21)	1)CARE A1+ (07-Dec-20)	1)CARE A1+ (03-Jan-20)
2	Non-fund-based - LT/ ST-Letter of credit	LT/ST*	5.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (03-Dec-21)	1)CARE A+; Stable / CARE A1+ (07-Dec-20)	1)CARE A+; Stable / CARE A1+ (03-Jan-20)
3	Fund-based - LT-Cash Credit	LT	745.00	CARE A+; Stable	-	1)CARE A+; Stable (03-Dec-21)	1)CARE A+; Stable (07-Dec-20)	1)CARE A+; Stable (03-Jan-20)
4	Fund-based - LT-Term Loan	LT	203.75	CARE A+; Stable	-	1)CARE A+; Stable (03-Dec-21)	1)CARE A+; Stable (07-Dec-20)	1)CARE A+; Stable (03-Jan-20)
5	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	10.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (03-Dec-21)	1)CARE A+; Stable / CARE A1+ (07-Dec-20)	1)CARE A+; Stable / CARE A1+ (03-Jan-20)
6	Fund-based - ST-Working Capital Limits	ST	-	-	-	1)CARE A1+ (03-Dec-21)	1)CARE A1+ (07-Dec-20)	1)CARE A1+ (03-Jan-20)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities - Not applicable

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
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-EPC/PSC	Simple
4	Fund-based - ST-Working Capital Limits	Simple
5	Non-fund-based - LT/ ST-Bank Guarantee	Simple
6	Non-fund-based - LT/ ST-Letter of 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 instruments: CARE Ratings 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.

Contact us**Media contact**

Name: Mradul Mishra

Phone: +91-22-6754 3596

E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Naveen Kumar Dhondy

Phone: 8886097382

E-mail: dnaveen.kumar@careedge.in

Relationship contact

Name: Pradeep Kumar V

Phone: +91-98407 54521

E-mail: pradeep.kumar@careedge.in

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