

Indian Sucrose Limited

May 30, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	150.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and 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 February 06, 2023, February 10, 2023, February 24, 2023, March 02, 2023 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).

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers:

At the time of last rating on March 07, 2022, the following were the rating strengths and weaknesses (updated for the latest information available from Stock exchange):

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 134 days in FY22 (PY: 105 days), primarily on account of increase in collection days to 64 days (PY: 53 days) and decrease in payable days to 119 days (PY: 142 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 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 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

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

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 26 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 remained stable and stood at Rs. 442.77 crore during FY22 (PY: Rs. 430.58 crore). PBILDT margin of company has improved from 12.22% in FY21 to 13.32% in FY22 due to lower cost of raw material consumed. Overall gearing of the company stood at 1.19x as on March 31, 2022 (PY:1.84x) which improved on account of lower utilisation of working capital limits as on March 31, 2022. Improvement in profitability resulted in improved interest coverage with PBILDT & PBIT interest coverage of 3.10x (PY: 2.90x) & 2.74x (PY: 2.49) respectively for FY22. During FY22, Total Debt/GCA of the company improved to 5.48x in FY22 from 6.71x in FY21. During 9MFY23 (refers to April 01 to December 31), the TOI of company has increased to Rs. 270.72 crore from Rs. 233.47 crore in 9MFY22, primarily on account of high sugar sales. PBILDT and PAT margins of company have improved during 9MFY23 to 24.49% and 13.67% respectively against 10.17% and 7.07% in 9MFY22.

Liquidity: Stretched

The company has stretched liquidity position marked by cash and bank balance of Rs. 14.57 crore as on March 31, 2022 (including current account balance of Rs. 13.29 crores and cash in hand of Rs 1.28). Further, FDR's balance has reduced to Rs. 54.8 cr as on March 31, 2022 from Rs. 23.75 crore as on March 31, 2021. Operating cycle elongated and stood at 134 days in FY22 as against 105 days in FY21. Average Inventory days decreased to 189 days in FY22 from 194 days in FY21. The company fully utilizes its working capital limits as confirmed with the banker for past twelve months. The current ratio stood at 1.04x as on March 31, 2022 as against 0.99x as on March 31, 2021. 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.

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](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Sugar](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Sugar

Indian Sucrose 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 (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total operating income	430.58	442.77	270.72
PBILDT	52.62	59.00	66.32
PAT	22.37	37.27	37.02

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Overall gearing (times)	1.84	1.19	NA
Interest coverage (times)	2.90	3.10	3.49

A: Audited UA: Unaudited NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: 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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

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

*Issuer did not cooperate; based on best available information.

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 2023-2024	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
1	Fund-based - LT-Cash Credit	LT	150.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (07-Mar-22) 2)CARE BB (CW with Developing Implications) (29-Sep-21)	1)CARE BB; Stable (24-Mar-21)

*Issuer did not cooperate; based on best available information.

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Lender details

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

Note on the 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

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About us:

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