

## Bannari Amman Sugars Limited

January 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	665.00 (Reduced from 750.00)	CARE AA-; Stable	Reaffirmed
Long-term / Short-term bank facilities	15.00	CARE AA-; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	5.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of Bannari Amman Sugars Limited (BASL) factors in its established track record in the sugar industry in southern region. Ratings also consider the integrated nature of operations with presence in sugar, bagasse-based cogeneration and molasses-based distillery, reflecting the company's ability to wither out industry cyclical.

Ratings also continue to draw strength from sizeable manufacturing capability and healthy scale of operations which slightly moderated in FY24 (refers to April 01 till March 31) and H1FY25 (refers to April 01 till September 30) considering lower availability of sugarcane due to scanty rainfall in the area, and subdued recovery rates impacting production of sugar and other allied segments, while the company's profitability showed improvement in FY24 considering increasing realisations. CARE Ratings Limited (CARE Ratings) further expects slight moderation in operational performance in FY25 owing to low cane crushing and recovery in the year. However, ratings draw comfort from comfortable capital structure and debt protection metrics. BASL's prepayment of certain term loan obligations in H1FY25, leading to improved capital structure with overall gearing of 0.09x as on September 30, 2024, against 0.29x as on March 31, 2024. Ratings also take comfort from strong liquidity position in the absence of debt-funded capex plans in the near to medium term.

However, rating strengths remain constrained by the working capital intensive operations, revenues and profitability susceptible to demand-supply dynamics, cyclical and regulated nature of sugar industry and continuation of low sugarcane recovery trends for southern states.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in scale of operations with profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin sustaining beyond 15%.
- Significant reduction in leverage levels with total debt to PBILDT sustaining below 0.50x

#### Negative factors

- Increase in total debt to PBILDT beyond 2.50x on a sustained basis.
- Adverse changes in government policies affecting the operations and cash flow of the entity significantly.
- Decline in the company's profitability marked by decline in PBILDT margin below 10% or less on a sustained basis.

### Analytical approach: Standalone

#### Outlook: Stable

The Stable outlook reflects the expectation that the company will maintain its established market position in the medium term, while maintaining comfortable financial position considering sustained healthy scale of operations, cash accruals against low term debt obligations and no major debt funded capex in the medium term.

### Detailed description of key rating drivers:

#### Key strengths

#### Established track record in sugar industry

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

BASL is the group's flagship company, and has a successful operational track record of ~40 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 existing units and by addition of new units in Karnataka. The company has a total of five sugar units in Tamil Nadu and Karnataka with a combined capacity of 23,700 TCD of sugar as on September 30, 2024.

### **Integrated nature of operations**

BASL is engaged in manufacturing sugar, industrial alcohol (in distillery), bio-produce, granite products and generation of power through sugar co-gen and windmills. As on September 30, 2024, 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 seven windmills having capacity of 1250 KW each aggregating 8.75 MW, in southern Tamil Nadu. Power generated from wind energy generators is sold to TANGEDCO. Adjacent to Sugar unit-I, the company has a granite unit, which is 100% EOU processing, polished granite slabs and tiles. In FY24, the company derived 74% of its total revenue from the sale of sugar (PY:75%) followed by alcohol (distillery) which contributed 11% of the total revenue (PY:12%) and then power at 10% of total revenue (PY: 9%). Diversified revenue streams act as a cushion against cyclicity inherent in core sugar business to a large extent. CARE Ratings Limited (CARE Ratings) expects that going forward, the sugar division will continue to contribute highest revenue (70%-75%) for the company, while alcohol and power division together are expected to contribute to the range of 20%-23%.

### **Comfortable financial risk profile**

BASL's total operating income (TOI) moderated by 12% on y-o-y basis to ₹2221.51 crore against ₹2526.75 crore owing to drop in sugar sales. Sugar sales volume declined from 54.34 lakh quintals in FY23 to 44.57 lakh quintals in FY24 considering drought-like situation in Tamil Nadu and Karnataka, sugar cane production and crushing was low. Average recovery rates for BASL's south based mills decreased to 9.03% in FY24 from 9.53% in FY23 due to unfavourable climatic conditions in southern states.

However, the company's operating profitability improved marked by PBILDT margin of 13.97% in FY24 up from 12.09% in FY23 largely considering increase in sugar realisation against cane price and reduction in fuel cost.

The impact continued in H1FY25, where the company recorded TOI of ₹880.39 crore in H1FY25 in comparison to ₹1033.77 crore in H1FY24 led by continued lower availability of cane and falling recovery rates. PBILDT margin of BASL also fell to 11.27% in H1FY25 from 13.42% in H1FY24. Due to erratic rainfall in Tamil Nadu and Karnataka in FY24, the cane availability is lower for the SS2024-25 and hence, the cane crushed, and recovery is projected to be lower for FY25. However, the company has significant sugar stock amounting to ₹624.30 crore as on September 30, 2024 which will enable the company to clock in stable revenue in FY25. Further, in the monsoon season of the current fiscal there has been adequate rainfall and hence, the operational metrics are expected to improve in FY26.

The capital structure of BASL continues to be comfortable characterised by an overall gearing of 0.29x as on March 31, 2024, improved from 0.37x as on March 31, 2023, considering scheduled debt repayments. In the first half of the current fiscal, the company has been prepaying its term loan, which stood at ₹68.09 crore as on September 30, 2024, decreased from ₹157.56 crore as on March 31, 2024. In the absence of major debt-funded capex, the company expects to entirely repay its term loan in the next 3-4 fiscals.

The company's debt coverage indicators improved marked by total debt/PBILDT of 1.57x in FY24 against 1.90x in FY23. PBILDT interest coverage ratio improved to 9.81x in FY23 from 6.19x in FY23. Going forward, BASL's capital is expected to improve with the prepayment of term loans and accretion of profits.

### **Key weaknesses**

#### **Working capital intensive operations**

The sugar industry being seasonal in nature has high working capital requirements in the peak season, which is from November to April. Companies have high working capital requirements in the peak season to procure their primary raw material, sugarcane and manufacture sugar in this period. BASL's operating cycle stood at 202 days in FY24 increased from 189 days in FY23 owing to elongation in inventory holding period. Average inventory days increased to 188 days in FY24 from 164 days in FY23. BASL had sugar stock of 26.77 lakh quintals valued at ₹30.35 per kg which has decreased to 20.36 lakh quintals valued at ₹30.66 per kg. Average working capital utilisation at maximum level for 12-months ended October 2024 stood at 24.49% against total sanctioned limit of ₹625 crore leaving adequate buffer in form of unutilised limits to absorb fluctuation in demand and prices.

### **Revenues and profitability susceptible to demand-supply dynamics and cyclical and regulated nature of the sugar industry**

Sugar industry is highly regulated industry. Cyclical nature of sugar industry and price volatility results in significant impact on operating performance of sugar companies. Operations are also 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.

**Continuation of low sugarcane recovery trends for southern states**

Recovery rate from the sugarcane in southern states contribute to remain low. Recovery rates for BASL has been in the range of 9.0-9.5% for the last five years ended March 31, 2024, sugar mills. However, in the northern states, especially Uttar Pradesh, have been able to report recovery rates in the range of 10-12%. Higher recovery rates lead to reduction in cost of production of sugar, supporting margins.

**Liquidity: Strong**

The company's liquidity remains strong marked by healthy cash accruals of ₹180-220 crore in the next three fiscals. In FY24, the company generated cash accruals to the tune of ~₹243.60 crore against repayment obligation of ~₹91.87 crore. BASL is expected to generate cash accruals in the range of ₹180 -200 crore against scheduled debt repayments of ₹90 crore in FY25. However, the company has been prepaying its term loan and has already repaid ₹88.97 crore in H1FY25. The company has free cash available of ₹18.72 crore as on September 30, 2024.

Average fund-based working capital utilisation for 12-months ending in October 2024 remained comfortable at ~24.49% on a sanctioned limit of ₹625 crore, which provides additional cushion to the company's overall liquidity. The company does not have major capex plans and capex to the tune of ₹40-50 crore in FY25 for maintenance purpose will be incurred and met through internal accruals.

**Environment, social, and governance (ESG) risks**

CARE Ratings believes BASL's Environment, Social, and Governance (ESG) profile supports its already comfortable credit risk profile. Sugar sector has a high impact on the environment because of large energy and emissions and higher dependence on water resources. The sector has a high social impact because of its labour-intensive operations. USML has continuously focused on mitigating its environmental and social impact.

**Environment:** To preserve environment, the company has been investing in equipment for reducing energy and water requirements. The company has reduced raw water consumption has by 26% and 86% in FY24 and FY23 respectively with the utilisation of treated condensate water from Effluent Treatment Plant. The company has recycled 3.7L m3 water with better water management practices and 15% reduction in water intensity compared to FY23. In FY24, BASL has been able to reduce SOx levels by 66% & NOx levels by 23% compared to FY23. The company ensures 100% of the supplies to be assessed by the audit for health and safety conditions.

**Social:** The company also has employee engagement and development plans in place. The company has set a target to provide skill development and training to cover 100% of employees in FY25.

**Governance:** The company's philosophy on corporate governance envisages the attainment of transparency, accountability and equity in all facets of its operations. The company has established vigil mechanism for directors and employees to report concerns about the unethical behaviour, actual or suspected incidents of fraud or violation of code of conduct or ethics. As on March 31, 2024, the Board comprised of Six Directors. Of the Six Directors four (66.67%) are Non-Executive Independent Directors including a Woman Director.

**Applicable criteria**

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Sugar](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Agricultural food & other products	Sugar

BASL is the flagship company of Bannari Amman Group (BAG) and is engaged in manufacturing sugar, industrial/potable alcohol, bio-compost, granite products and generation of power through windmill and co-generation. Dr S. V. Balasubramaniam is the group's chairman. The company has aggregate capacity of 23,700 TCD in sugar division, 127.50 KLDP in distilleries and 129.80 MW of co-generation capacity. The company also has seven windmills having capacity of 1250 KW each aggregating 8.75 MW, in southern Tamil Nadu.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	2,526.75	2,221.51	880.39
PBILDT	305.39	310.30	99.23
PAT	143.39	155.00	40.70
Overall gearing (times)	0.37	0.29	0.09
Interest coverage (times)	6.19	9.81	11.79

A: Audited UA: Unaudited; Note: these are latest available financial results

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

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

### 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	640.00	CARE AA-; Stable
Fund-based - LT-Term Loan		-	-	31/12/2025	25.00	CARE AA-; Stable
Fund-based - ST-EPC/PSC		-	-	-	5.00	CARE A1+
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	10.00	CARE AA-; Stable / CARE A1+
Non-fund-based - LT/ ST-Letter of credit		-	-	-	5.00	CARE AA-; Stable / CARE A1+

**Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - ST-EPC/PSC	ST	5.00	CARE A1+	-	1)CARE A1+ (05-Jan-24)	1)CARE A1+ (12-Dec-22)	1)CARE A1+ (03-Dec-21)
2	Non-fund-based - LT/ ST-Letter of credit	LT/ST	5.00	CARE AA-; Stable / CARE A1+	-	1)CARE AA-; Stable / CARE A1+ (05-Jan-24)	1)CARE A+; Stable / CARE A1+ (12-Dec-22)	1)CARE A+; Stable / CARE A1+ (03-Dec-21)
3	Fund-based - LT-Cash Credit	LT	640.00	CARE AA-; Stable	-	1)CARE AA-; Stable (05-Jan-24)	1)CARE A+; Stable (12-Dec-22)	1)CARE A+; Stable (03-Dec-21)
4	Fund-based - LT-Term Loan	LT	25.00	CARE AA-; Stable	-	1)CARE AA-; Stable (05-Jan-24)	1)CARE A+; Stable (12-Dec-22)	1)CARE A+; Stable (03-Dec-21)
5	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	10.00	CARE AA-; Stable / CARE A1+	-	1)CARE AA-; Stable / CARE A1+ (05-Jan-24)	1)CARE A+; Stable / CARE A1+ (12-Dec-22)	1)CARE A+; Stable / CARE A1+ (03-Dec-21)
6	Fund-based - ST-Working Capital Limits	ST	-	-	-	-	1)Withdrawn (12-Dec-22)	1)CARE A1+ (03-Dec-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the 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	Non-fund-based - LT/ ST-Bank Guarantee	Simple
5	Non-fund-based - LT/ ST-Letter of credit	Simple

**Annexure-5: Lender details**To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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