Sri Sarvaraya Sugars Limited

March 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	600.00	CARE BBB; Stable	Reaffirmed
Fixed deposit	20.00	CARE BBB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in the rating assigned to bank facilities and fixed deposit instrument of Sri Sarvaraya Sugars Limited (SSSL) factors experienced promoters and the company's established position as an authorised bottler of Coca-Cola, USA with sole distribution right in about seven districts in Andhra Pradesh and Telangana. The company has been demonstrating significant growth in its revenue, which grew at a compound annual growth rate (CAGR) of 17% in the last three years. However, in the current fiscal, the beverages division has experienced a slight slowdown, and ethanol production from molasses has been discontinued, impacting revenue. In 9M-FY25, the company recognised a revenue of ₹626.35 crore and a profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of 14.04%.

However, rating strengths are partially offset by the company's significant debt-funded growth plans. SSSL is setting up a polyethylene terephthalate (PET) juices bottling unit and a 150-KLPD grain-based distillery unit. The total project cost is estimated at ~₹461 crore, which is funded through a bank debt of ₹340 crore and remaining through internal accruals. With significant debt-funded capex, the company's financial risk profile is expected to be moderate. Going forward, revenue is expected to improve significantly with the grain-based distillery becoming fully operational in September 2025 and the PET juices unit in June 2025. However, timely completion of capex and stabilisation of operations remains a key monitorable.

The rating also takes cognisance of seasonality in demand, business susceptibility to changing customer preferences, increasing health awareness, and exposure of business to regulatory risks.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant increase in revenue from operations over ₹1,500 crore.
- Total debt (TD)/PBILDT) falling below 2.5x.

Negative factors

- Significant delay or cost overrun in ongoing capex, impacting credit metrics.
- Peaking overall gearing and TD/PBILDT ratio deteriorating above 1.2x and 3.5x, respectively, going forward.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity will continue to benefit from its established presence in the bottling segment with growing revenue from operations and sustained profitability.

Detailed description of key rating drivers:

Key strengths

Long-standing presence and established market position

Incorporated in 1956 as a sugar manufacturing company, the company diversified into the bottling business in 1969. It has been an authorised bottler for Coca-Cola since 1993, with over 50 years of experience in the bottling industry. The company holds a dominant market position in the carbonated beverages segment in seven districts across Andhra Pradesh and Telangana. It has exclusive rights to supply beverages in East Godavari, Kakinada, West Godavari, Eluru, Dr B. R. Ambedkar Konaseema, Bhadradri-Kothagudem, and Khammam districts. The company enjoys a significant market share in these districts for bottling and supplying Coca-Cola beverages.

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

Improved scale of operations and healthy profitability margins

The company witnessed growth of ~19% y-o-y from ₹837.35 crore in FY23 to ₹996.55 crore in FY24, primarily driven by a 20% increase in sales volume of aerated drinks. However, revenue from ethanol declined from ₹27.65 crore in FY23 to ₹17.92 crore in FY24 due to difficulties in procuring molasses. Completion of the PET juices unit and the grain-based distillery unit is expected to significantly increase revenue going forward. The company's operating profitability improved from 13.23% in FY23 to 14.04% in FY24, due to a decrease in procurement cost of preforms. The company is able to pass on rise in input prices, leading to stable operating margins. However, in the current fiscal, the beverages division has experienced a slight slowdown, and ethanol production from molasses has been discontinued, impacting revenue. In 9M-FY25, the company recognised a revenue of ₹626.35 crore and a PBILDT margin of 14.04%.

Comfortable financial risk profile despite increasing debt

The company's financial risk profile stands comfortable, marked by an overall gearing of 0.59x as on March 31, 2024, improving from 0.73x as on March 31, 2023. TD/PBILDT also improved to 1.79x in FY24 from 2.42x in FY23. However, with significant debt-funded capex, the financial risk profile is expected to deteriorate in FY25, though overall gearing is not expected to exceed 1.10x. Timely execution of projects and generating expected cashflows will be key monitorable.

Key weaknesses

Significant debt-funded capex plans

The company is setting up a 150-KLPD grain-based distillery unit, increasing the total installed capacity to 180 KLPD with an estimated cost of ₹161 crore, funded through a term loan of ₹115 crore. The project is expected to be completed by September 2025 with slight delay in implementation due to procedural issues related to government policies and extended lead times for procuring grain-based ethanol machinery amid high demand. The company has been shortlisted by oil marketing companies – IOCL, BPCL, and HPCL, for a long-term off-take agreement. The company is also establishing a PET juice bottling unit with an estimated cost of ₹300 crore, funded through a term loan of ₹225 crore and remaining through internal cashflows. This unit is expected to be operational by June 2025. Revenue from operations is anticipated to increase significantly on project completion. However, timely completion of projects will be a key monitorable.

Susceptibility to regulatory risks and changing consumer preferences

The carbonated soft drinks industry is susceptible to regulatory risks, especially related to taxation policy and increased environmental compliances related to bottling operations. Increasing awareness among consumers about unhealthy soft drinks and increasing availability and adoption of healthier alternatives poses risk to the demand for the company's products.

Liquidity: Adequate

The company has been generating sufficient accruals marked by cashflow from operations of over ₹100 crore for FY24 and GCA of over ₹63 crore for 9M-FY25. Reliance on banks for working capital purpose is moderate marked by average working capital limit utilisation of 68% for 12-months ending December 2024.

Assumptions/Covenants - Not applicable

Environment, social, and governance (ESG) risks - Not applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast-moving consumer goods	Fast-moving consumer goods	Beverages	Other beverages

SSSL was founded in 1956 by SBPBK Satyanarayana Rao as a public limited company. In 1956, a sugar plant was established in Chelluru, East Godavari, Andhra Pradesh, with an initial capacity of 800 TCD. The capacity gradually increased to 5,000 TCD. Since 2019, the sugar unit has been discontinued due to challenges in sourcing sugarcane amidst supply volatility. In 1964, the company diversified by establishing its first distillery unit adjacent to the sugar factory. The company is setting up a 150-KLPD grain-based distillery unit, increasing total installed capacity to 180 KLPD. The company diversified into the bottling business in 1969, and since 1993, SSSL has been an authorised bottler for Coca-Cola.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9M-FY25 (UA)
Total operating income	837.35	996.55	626.35
PBILDT	110.78	139.94	87.94
PAT	55.86	64.58	31.91
Overall gearing (times)	0.73	0.59	NA
Interest coverage (times)	21.15	8.41	7.30

A: Audited, UA: Unaudited, NA: Not available. 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
Fixed Deposit		-	-	2026#	20.00	CARE BBB; Stable
Fund-based - LT-Cash Credit		-	-	-	110.17	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	September 2027	489.83	CARE BBB; Stable

The maturity of these deposits fall on different dates depending on the date of each deposit.

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 - LT-Term Loan	LT	489.83	CARE BBB; Stable	1)CARE BBB; Stable (24-Oct-24) 2)CARE BBB; Stable (20-Jun-24)	-	-	-
2	Fund-based - LT-Cash Credit	LT	110.17	CARE BBB; Stable	1)CARE BBB; Stable (24-Oct-24) 2)CARE BBB; Stable (20-Jun-24)	-	-	-
3	Fixed Deposit	LT	20.00	CARE BBB; Stable	1)CARE BBB; Stable (24-Oct-24)	-	-	-

LT: Long 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	Fixed Deposit	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	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 for clarifications.

Contact us

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About us:

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