

Shri Hiranyakeshi Sahakari Sakkare Karkhane Niyamit

March 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	60.00	CARE B; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE B+; Stable and moved to 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. (CARE Ratings) has been seeking information from Shri Hiranyakeshi Sahakari Sakkare Karkhane Niyamit (SHSSKN) to monitor the rating vide e-mail communications/ letters dated January 07, 2025, January 09, 2025, February 19, 2025, and February 21, 2025, and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings has reviewed the rating on the basis of the best available information which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating.

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

The rating has been revised on account of the absence of latest information pertaining to the firm, such as operational information, FY24 financials, liquidity profile, etc., in order to ascertain its ability to timely repay debt. However, the rating continues to factor in the experience of the promoters in the sugar and its processing business.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on April 01, 2024, the following were the rating strengths and weaknesses:

Key weaknesses

Stagnant scale of operations

The scale of operations of the Society has remained stagnant in FY23 and stood at Rs.410.53 Cr when compared to Rs.410.18 Cr in FY22 due to decline in sugar products but was cushioned by better sales realization. In 9MFY24, the Society has achieved total sales of Rs.314.56 crores.

Cyclical and regulated nature of the industry

The industry is cyclical by nature and is vulnerable to the government policies for various factors like its importance in the Wholesale Price Index (WPI), as sugar is classified as an essential commodity. The governments (both Union and State) resort to various regulations such as fixing the raw material (sugarcane) prices in the form of Fair & Remunerative Prices (FRP) and State Advised Prices (SAP). All these factors impact the cultivation patterns of sugarcane in the country and thus affect the profitability of the sugar companies. India also continues to carry high levels of sugar inventory largely due to the controlled release mechanism followed by the Government.

Negative net worth

The Society has to maintain higher sugar inventory levels due to government restrictions. This led to losses which was predominantly funded with debt leading to increasing interest costs. Due to no equity infusion and negligible profits, net worth of Society has turned negative. Going forward, Society expects operations to turn profitable on back of increased sugar production and sales and increased contribution from high margin ethanol plant. The Society expects to make profits in FY25 once the ethanol production commences in September 2024.

Inherent to Agro-climactic risk

The sugar industry, being directly dependent on the sugarcane crop and its yield, is susceptible to agro climatic risks including pest & diseases. Climatic conditions, more specifically, the monsoons influence various operational parameters for a sugar entity, such as the crushing period and sugar recovery levels.

Key strengths

Diversified scale of operations

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

Apart from 8000 TCD sugar plant, the Society has diversified its operations into cogeneration plant having capacity of 45 MW and distillery unit with capacity of 54 KLPD. In the year FY23, sugar segment alone contributed around 76%. Society is planning into ethanol expansion by increase in their distillery unit capacity to 150 KLPD and which may help in order to improve the profitability of the society as whole. The Society expects the ethanol production to start from September 2024, once the project gets completed. With the ethanol sales commencement, the Society expects to improve profitability.

Favourable location of the sugar plant

Sugar plant is located at Sankeshwar, Hukkeri Taluk in Belgavi district of Karnataka which shares its borders with Maharashtra state. The sugarcane comes from the farmer member of the society located in and around the sugar plant and the plant is located near major rivers such as Ghataprabha, Markhandeya, Doodhaganga, Krishna, Malaprabha which provides uninterrupted water supply to the plant. The society's recovery rate stood at the range of 9.50-10.50%. The society is expected to maintain the similar level of recovery percentage in the projected years which helps in maintaining the production in the similar levels.

Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Sugar](#)

[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	Agricultural Food & other Products	Sugar

SHSSKN is a cooperative society, established in 1956 under Multi State Cooperative Societies Act, as it has members both in Karnataka and Maharashtra and started its first trial of crushing in 1961. SHSSKN operates in 233 villages in Karnataka and 77 villages in Maharashtra within a radius of 22 miles. SHSSKN operates sugar mill with crushing capacity of 8,000 TCD, distillery Unit of 54KLPD and cogeneration power plant of 41 MW. Sugar is sold based on tenders received from various brokers. Current capacity to produce ethanol is 54 KLPD which going forward will be expanded to 100 KLPD.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	December 31, 2023 (UA)
Total operating income	410.18	410.53	314.56
PBILDT	60.18	26.96	NA
PAT	0.47	-26.06	NA
Overall gearing (times)	-2.10	-2.45	NA
Interest coverage (times)	1.18	0.60	NA

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
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Fund-based - LT-Term Loan	-	-	-	July 2024	60.00	CARE B; Stable; ISSUER NOT COOPERATING*
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*Issuer did not cooperate; based on best available information.

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	60.00	CARE B; Stable; ISSUER NOT COOPERATING*	1)CARE B+; Stable (01-Apr-24)	-	1)CARE B+; Stable (04-Jan-23)	1)CARE B+; Stable (02-Nov-21)

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

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	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the 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.

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About us:

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