Sir Shadilal Enterprises Limited

April 30, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term Bank Facilities	142.55	CARE A+ (RWP)	Assigned
Long-term/Short-term Bank Facilities	232.45	CARE A+ (RWP) /CARE A1+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) assigned the rating of CARE A+ / CARE A1+ to bank facilities of Sir Shadilal Enterprises Limited (SSEL) and simultaneously placed the long-term ratings on "Rating Watch with Positive Implications" due to an ongoing composite scheme involving an amalgamation and demerger between SSEL and Triveni Engineering & Industries Limited (Triveni). Per the scheme, SSEL will amalgamate into Triveni with similar business and a stronger credit risk profile. This will consolidate their sugar, alcohol, and ethanol operations under a single entity, leading to operational synergies, cost efficiencies, and economies of scale. Following this, Triveni's Power Transmission Business (PTB) will be demerged into a separate entity, Triveni Power Transmission Limited (TPTL), with its shares to be listed post-demerger. The appointed date for SSEL's amalgamation is April 01, 2025, while the effective date for PTB's demerger is the effective date when the NCLT approval of the scheme will be filed with the Registrar of Companies (ROC). CARE Ratings will continue to monitor developments related to this and will take a view on ratings once the scheme is finalised and its impact on SSEL's credit risk profiles becomes clearer.

Ratings assigned to bank facilities of SSEL consider its strong parentage, with Triveni increasing its stake to 61.77% by June 2024. Triveni is one of the largest integrated sugar producers in India and has consistently achieved gross recovery rates of 11-12% over the last five years and generates strong cash flow, bolstered by its growing non-sugar profitability. CARE Ratings expects Triveni's credit metrics to remain robust, despite some expected moderation in FY25 due to industry-wide factors. A recovery is anticipated in FY26, driven by improved operating conditions and regulatory support. SSEL stands strategically important to Triveni as it is near its existing facilities and shall lead to operational synergies going forward. Ratings further derives support from its strong managerial and financial linkages with its parent entity (Triveni) and the demonstrated support it has received from Triveni in the past in the form of equity infusions and loans and advances and Letter of support for its bank facilities, which is expected to continue in the future.

However, rating strengths are constrained by the company's weak financial risk profile, exposure towards the single location of plant, cyclical and seasonal sugar industry, working capital intensive operations and highly regulated industry by government with sugar being an essential commodity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Total operating income (TOI) above ₹400 crore with sustained profit before interest, lease rentals, depreciation and taxation (PBILDT) margins above 10% on a sustained basis.
- Improvement in credit profile of the Parent, Triveni.

Negative factors

- Any adverse change in ownership profile or weakness in support or linkage with its parent, Triveni.
- Deterioration in credit profile of Triveni.
- Significant decline in operational metrics (cane yield, recovery, volumes and prices among others) adversely impacting SSEL's financial risk profile leading to decline in scale of operations with continued financial losses.

Analytical approach: Standalone after factoring in the strong management, operational and financial linkages with the parent entity, Triveni Engineering and Industries Limited (TEIL).

Outlook: Not applicable

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

Detailed description of key rating drivers:

Key strengths

Strategic importance and strong operational, financial and managerial linkages of SSEL with the parent, Triveni
SSEL majority stake (61.77%) was strategically acquired by Triveni from its erstwhile promoters till June 2024 for an aggregate consideration of ~₹80 crore to strengthen its position as one of India's leading integrated sugar and alcohol producers. Triveni also has announced plans to amalgamate SSEL with the parent company. The acquisition brings additional cane area under Triveni's fold and also creates strong operational synergies, given SSEL's strategic location between Triveni's major units at Khatauli and Deoband in Western Uttar Pradesh. This proximity enhances efficiencies through optimised raw material sourcing, reduced logistics costs, and smoother coordination across production units.

The integration is also supported by strong financial linkages, with Triveni extending ₹128.5 crore in loans to SSEL as on March 31, 2025, and committing an additional board approved ₹100 crore financial support for FY26 as and when required. Lines of credit and new term loan secured for SSEL are backed by letters of comfort (LOC) from Triveni, further reinforcing the support. As on March 31, 2025, out of total debt of ₹333 crore, ~50% debt are backed by LOC from Triveni and ~39% comprised of loans from Triveni. CARE Ratings expects need based financial support shall be extended to SSEL from Triveni, as and when required.

There is also strong managerial linkages as demonstrated with shared leadership and board representation with three of five directors in SSEL also serving Triveni board. SSEL current chairman, Tarun Sawhney, is the vice chairman and managing director of Triveni, which ensures strategic alignment and seamless integration of operations and policies.

Strong parentage of Triveni with established brand and strong market position in Indian sugar industry and healthy credit risk profile
Triveni, parent of SSEL with current 61.77% shareholding, is one of the India's largest integrated sugar manufacturers with eight sugar plants (including SSEL) in sugarcane-rich belt of Uttar Pradesh (UP), India, with sugarcane aggregate installed capacities of 70,500 TCD (including 7,500 TCD of SSEL). Triveni's operations are forward integrated with five distilleries in UP with aggregate distillery capacity of 860 kilo litres per day (KLPD) and co-gen capacity of 104.5 MW, which provide cushion against the cyclicality in the sugar business. These distillery facilities have the capability to produce Ethanol, Extra Neutral Alcohol (ENA), Rectified Spirit (RS) and Denatured Spirit (SDS). Triveni forayed in the production of country liquor in FY2021, thus facilitating forward integration. It currently operates six co-generation power plants across five sugar units, with 104.5 MW grid connected co-generation capacity. Triveni is a leading player in power transmission businesses that include a gear division in Mysore, manufacturing high-speed gears. It also has a water business division in Noida, which is involved in water treatment equipment and plants. Apart from integrated player, its diversification in its revenue stream has lend strong cash flows and enhances resilience against sugar industry-specific volatility, with a steady contribution from the power transmission and water businesses.

Triveni demonstrated a healthy revenue growth trajectory from ₹4203 crore in FY20 to ₹5614 crore in FY23 (CAGR of 10.0%) which slightly dipped to ₹5227 crore in FY24 (degrowth of 6.7% from FY23) owing to government's measures, though slightly benefitted from positive contribution from PTB business. In 9MFY25, Triveni registered a TOI of ₹4065 crore (₹4029 crore in 9MFY24). In FY24 and 9MFY25, sugar and distillery business together accounted for ~88% revenue (vs ~89% in FY23).

Till FY24 profitability stood comfortable, however, FY25 is expected to register some moderation primarily from reduced ethanol margins due to government regulations. The company has faced lower sales volumes from high margin molasses-based ethanol due to feedstock shortages and within grain-based ethanol, the discontinuation of FCI rice in July 2023 forced the company to shift to low-margin maize as feedstock, but new policies should improve feedstock availability at reasonable prices. Sugar prices have firmed up recently, and export quotas are allocated, which should benefit the company. In FY26, CARE Ratings expects profitability to gradually rebound to FY24 levels.

Triveni has a strong capital structure with low debt (gearing of 0.49x as of March 31, 2024) and healthy credit metrics (Interest Coverage: 11.31x, TOL/TNW: 0.73x). Leverage increased slightly in FY24 due to higher working capital borrowings, driven by elevated year-end inventory levels, due to government restrictions on exports and ethanol diversion to ensure domestic sugar supply, which affected the entire industry. With the ethanol diversion restriction now lifted, inventory levels are expected to normalize. Triveni's credit metrics are likely to remain moderate in FY25, with increased debt and lower operating profitability, primarily from reduced ethanol margins due to government regulations, and expectation of overall gearing of ~0.6-0.7x and interest coverage of ~6.0x. In FY26, credit metrics are expected to improve with better operating conditions.

Moderate scale of operations and profitability of SSEL
SSEL has moderate operational capacities with sugar crushing of 7,500 TCD and ethanol production capacity of 100 KLPD, in Shamli, Western Uttar Pradesh. Under the previous promoter regime and amid regulatory constraints—such as restrictions on ethanol production from B-Heavy Molasses—the scale remained constrained. This was reflected in a revenue decline of ~16%

year-over-year (y-o-y) in FY24 to ₹462 crore after demonstrated annualised growth of ~4% per annum in FY20-FY23 period, and with an expectation of sub-₹300 crore revenue in FY25 due to non-operational distillery and lower sugar production. However, with the acquisition by Triveni (61.77% shareholding as of June 2024), and the assigned cane area and proximity to Triveni's Khatauli and Deoband units, operational scale and synergies are expected to improve.

Though the distillery unit is currently non-operational due to extensive repair requirements, it has a forward-integrated setup distillery capacity of 100 KLPD. The revived unit can significantly add to cash flows and reduce business cyclicality. Triveni has already infused ₹128.5 crore in SSEL and committed another ₹100 crore for FY26, underscoring strong financial backing. With better operating conditions, this support is expected to revive SSEL's profitability from FY26 onwards (SSEL's PBILDT was ₹5 crore in FY24, however, it is expected to turned negative for FY25) and will effectively contribute to the group's integrated sugar and ethanol platform and the same is a key rating monitorable.

Key weaknesses

Weak financial risk profile (of SSEL) however support expected from Triveni

SSEL's financial risk profile is moderate with negative net worth base of ₹164 crore as on March 31, 2024, and estimation of negative ₹200 crore as on March 31, 2025, against total debt outstanding of ₹52 crore as on March 31, 2024, which increased to ₹333 crore as on March 31, 2025, due to rise in working capital borrowings of ₹102 crore aligned with elevated sugar inventory levels moved from ~1.5 LMT valuing as on March 31, 2024, to ~3.5 lakh quintal as on March 31, 2025. In FY25, SSEL availed term loan from banks (₹63.25 crore as on March 31, 2025) and from Triveni (₹128.5 crore) to clear the outstanding cane arrears for SS2022-23 and other payables, resulted in total long-term loan of ₹231 crore and total debt of ₹333 crore. At the time of SSEL's acquisition by Triveni, SSEL had trade payables of ~₹300 crore, similar to FY24 end (comprising ₹222 crore of old cane dues), which reduced to ₹130-135 crore trade payables (including ₹90 crore of old cane dues) as on March 31, 2025. However, comfort is being drawn as ~39% of the total borrowings as on March 31, 2025, is from Triveni and ~7% is from its erstwhile promoters. The rise in WC borrowings is a temporary phenomenon commensurate with allocated sugar quotas to balance the sugar industry dynamics. Currently, SSEL's distillery operations are not ongoing, with no concrete plans to begin the operations. Triveni will take the decision in upcoming season with the viability test by estimating the envisaged capex. Any higher-than-envisaged debt funded capex planned to be undertaken, may have an adverse impact on debt credit profile of the SSEL. Interest coverage ratio was ~1.1x for FY24, however, is expected to remain negative for FY25 with negative profitability in the subdued market. CARE Ratings expects SSEL's credit risk profile will be benefitted from the proposed amalgamation with Triveni, which has strong financial risk profile. However, continued financial support from Triveni (as seen in FY25) is critical for SSEL's credit profile till the pending approvals are received, and the same remains a key rating monitorable.

Working capital intensive operations

Sugar industry being seasonal has high working capital requirements in the peak season which is from November to April. The companies have high working capital requirements in the peak season to procure their primary raw material, sugarcane and manufacture sugar in this period. SSEL has been able to maintain a moderate working capital utilisation owing to WCDL limits availed by it. The average working capital utilisation for the three months period ended March 2025 stood above 90% of its drawing power.

SSEL's operating cycle was negative 197 days due to cane arrears dues of ~₹300 as on March 31, 2024, demonstrating liquidity stretch on standalone level, however, post-acquisition by Triveni, the same reduced to ₹130-135 crore (including ₹90 crore of old cane dues) as on March 31, 2025.

Single location of operations with cyclical and regulated sugar industry

SSEL operates from a single location from its plant at Shamli, Uttar Pradesh (UP). This makes SSEL vulnerable to policies framed by the state government and measures taken by it for price regulation. Climate conditions in the region also have a direct effect on the price of raw material and its availability.

The industry is cyclical and is vulnerable to the government policies for reasons such as its importance in the wholesale price index (WPI) as it classifies as an essential commodity. The government on its part resorts to regulations such as 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. SSEL's profitability, and other sugar mills, continue to remain vulnerable to the state government's policy on cane prices. Thus, SSEL's performance can be impacted by disproportionate increase in cane price in particular year. Profitability remains vulnerable to the government's policies on exports, MSP and remunerative ethanol prices. In addition, the cyclicality in sugar production results in volatility in sugar prices. However, the sharp contraction in the sugar prices is curtailed after the introduction of MSP by the Central Government in June 2018.

Liquidity: Adequate

SSEL's liquidity is considered adequate primarily due to the financial flexibility and access to funds emanates from its strong parentage of Triveni.

Triveni on a consolidated level had adequate liquidity marked by healthy cash accruals of ₹511 crore in FY24 and over ₹350 crore in FY25, despite industry-wide regulatory challenges. Triveni is expected to achieve ~₹450-500 crore gross cash accrual (GCA) in FY26 with improvement in operating conditions against capex estimation of ₹150 crore (₹325 crore of capex incurred in FY25, which is financed by mix of debt and equity) and debt repayments of ₹88 crore. It had a working capital limit of ₹1800 crore, of which ₹1300 crore was outstanding as on March 31, 2025, providing sufficient cushion. Overall gearing is also expected to remain comfortable at ~0.6-0.7x at FY25 end and expected to reduce to ~0.5-0.6x by FY26 end, which enables the Triveni to raise additional funds, if needed.

SSEL's standalone liquidity profile is stretched mainly considering the negative profitability and cash outflows towards principal and interest repayment obligations with huge cane arrear dues, which succeeds its operational cash flows. However, its liquidity profile derives strength from strong promoter support. SSEL has scheduled debt repayments of ~₹11 crore and ₹34 crore, in FY26 and FY27, respectively, which will supported by support Triveni support, as demonstrated by fund infusion of ₹128.5 crore in FY25 by Triveni to meet business requirements and a further board approved commitment of ₹100 crore for FY26.

CARE Ratings believes Triveni is well-positioned with strong accruals expectations, which will be sufficient to meet its capex commitments and debt repayment obligations along with SSEL.

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Sugar Sector
Financial Ratios – Non financial Sector
Short Term Instruments

About the SSEL and industry

Industry classification

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

Incorporated in 1933 by Sir Shadi Lal, Sir Shadi Lal Enterprises Limited (SSEL), has two manufacturing units in Uttar Pradesh and engaged in manufacturing sugar, ethanol/alcohol. It operated a sugar mill (Upper Doab Sugar Mills) with 7500 TCD capacity and a distillery (Shamli Distillery and Chemical Works) with 100 kilo litres per day (KLPD) capacity in Shamli, Uttar Pradesh. Distillery business primarily comprises manufacture of Spirit, Alcohol and Ethanol. Sir Shadi Lal Enterprises Limited is a subsidiary of Triveni Engineering & Industries Limited from June 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	552	462	176
PBILDT	-10	5	-29
PAT	-30	-9	-57
Overall gearing (times)	-0.57	-0.32	NM
Interest coverage (times)	-1.10	1.09	-5.63

A: Audited UA: Unaudited; NM: Not Meaningful Note: these are latest available financial results

Status of non-cooperation with previous CRA:

(i) Crisil has conducted the review based on best available information and has classified SSEL as "Not cooperative" vide its press release date July 29, 2024, due to non-availability of requisite information to conduct the rating exercise.

(ii) Infomerics has conducted the review based on best available information and has classified SSEL as "Not cooperative" vide its press release date December 12, 2024, due to lack of adequate information to conduct the rating exercise.

(iii) Brickwork has conducted the review based on best available information and has classified SSEL as "Not cooperative" vide its press release date February 07, 2025, due to lack of requisite information to conduct the rating exercise.

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-Term Loan		-	-	30-09-2030	142.55	CARE A+ (RWP)
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	232.45	CARE A+ (RWP) / 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 2025-2026	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
1	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	232.45	CARE A+ (RWP) / CARE A1+				
2	Fund-based - LT-Term Loan	LT	142.55	CARE A+ (RWP)				

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-Term Loan	Simple
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated Not applicable

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:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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