

## Shri Sai Priya Sugars Limited

April 10, 2017

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Remarks
Long-term Bank Facilities- Term Loan	360.61 (enhanced from 280.61)	CARE BB+ Stable (Double B Plus; Outlook: Stable)	Revised from CARE BB
<b>Total Facilities</b>	<b>360.61</b> <b>(Rupees Three Hundred and Sixty crore and Sixty One lakh only)</b>		

Details of instruments/facilities in Annexure-1

#### Detailed Rationale & Key Rating Drivers

The revision in rating assigned to the bank facilities of Shri Sai Priya Sugars Limited (SSPSL) takes into account the successful commissioning of the sugar and cogen plant and commencement of commercial operations in 9MFY17 (refers to the period April to December). The rating continues to derive strength from the long experience of the promoter in sugar business.

However, the ratings continues to be constrained by limited operational track record of the company, significantly low cane availability during SS16-17 impacting sugar production, highly debt-funded nature of the capex programme, exposure of profitability to volatile sugar prices and regulated raw material prices and cyclical and regulated nature of the sugar industry. The rating also takes note of the company's plan to setup distillery unit. While the new distillery project expose the company to project implementation risk, on completion of the same company will have a fully integrated facility which will enable greater degree of de-risking from the core sugar business.

Going ahead, the ability of SSPSL to timely complete the distillery project within the envisaged cost and time, stabilise its sugar and cogen operations and achieve the projected production levels would be the key rating sensitivities.

#### Detailed description of the key rating drivers

##### **Long experience of the promoter in running sugar and other companies**

Mr Murugesh R Nirani is the Chairman and Managing Director of SSPS and has more than 20 years of experience in the sugar industry. He is the founder and chairman of MRN group of companies, which currently includes Nirani Sugars Limited, Shri Sai Priya Sugars Limited, MRN Sugars Limited, MRN Educational Trust, Ratna Cement (Yadawad) Limited, Vijay Souhard Credit Sahakari Limited and Prajawal Multi-Purpose Souhard Sahakari Limited.

##### **Successful commissioning of the Project and Commencement of Commercial Operations in 9MFY17**

The project involving 10,000 TCD of sugar and 50 MW of cogeneration was successfully completed and the commercial operations, as certified by the Auditor began in November 1, 2016. During its first season (SS16-17), company crushed only for 63 days due to poor cane availability in the region, producing 1.88 lakh MT of sugar. The cogen unit was operated for 101 days.

##### **Implementation risk associated with distillery unit**

The proposed project of 120 KLPD Ethanol is going to be set up at an estimated cost of Rs.161.8 crore to be funded with a debt of Rs.80 crore, equity of Rs.16 crore and loan from sugar development fund (SDF) of Rs.65.6 crore leading to a project debt equity of 9.1 times. Though SSPSL, is exposed to significant project implementation risk, the successful commissioning of the distillery unit would increase the level of integration and help the company sail through the cyclicity associated with the sugar business.

##### **Partly integrated business model of sugar plant along with a multi-fuel co-gen plant and with proposed distillery unit, greater de-risking of core sugar business expected**

While SSPSL is implementing a distillery plant of 120 KLPD and has a multi-fuel co-gen power plant of 50 MW which is more or less insulated from the seasonality of the sugar industry. The input for the cogen plant is primarily bagasse produced from in-house sugar facility and in case of less than anticipated cane availability, SSPSL may resort to purchase of bagasse from nearby stand-alone sugar; and generate the incremental income from sale of co-gen power and sale of ethanol.

##### **Cyclical and regulated nature of the industry**

Cyclical nature of the sugar industry significantly impacts the operating performance and cash flow generation of the sugar companies. Both the raw material prices and distribution of end product (sugar) are regulated by the government. In addition to this, sale and distribution of by-products (molasses and power) also regulated at different levels in different States. Integrated players are in a better position to counter cyclicity of the sugar business.

**Analytical approach:** Standalone

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

**Applicable Criteria**

[CARE's Policy on Default Recognition](#)

[CARE's Criteria on assigning Outlook to Credit Ratings](#)

[Non Financial Sector](#)

[Manufacturing Companies](#)

**About the Company**

SSPSL is a Public Limited Company incorporated in January 17, 2002, by Mr Muruges R Nirani, an ex-cabinet minister and the chairman of a well-known business group, MRN (Nirani) Group, with well diversified presence across agro-based industries, cement industries, credit & banking, educational and automobile fields, etc. SSPSL acquired defunct SPR Sugars Private Limited located at Bidadi at Ramnagaram district, with sugar capacity of a 2500 TCD in 2010 for a consideration of Rs.37 crore. The plant and machinery from this plant has been transported to the facility at Hipparagi-Mygur village. SSPSL undertook expansion of this facility and has now completed the project of expanding the sugar plant from 2500 TCD to 10,000 TCD with cogeneration of 50 MW at Hipparagi-Mygur village in Bagalkot district in Karnataka. The day-to-day affairs of the company are looked after by Mr Rajashekar S. Nuli, the Chief Executive Officer.

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

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

***Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

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**About CARE Ratings:**

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Dec 2024	360.61	CARE BB+; Stable

### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	360.61	CARE BB+; Stable	-	1)CARE BB (04-Jul-16)	1)CARE BB (29-Feb-16)	-

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CIN - L67190MH1993PLC071691