



Press Release
SUN PETROCHEMICALS PRIVATE LIMITED
February 24, 2025
Rating Assigned, Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	705.00	ACUITE AA Stable Reaffirmed	-
Non Convertible Debentures (NCD)	475.00	ACUITE AA Stable Assigned	-
Non Convertible Debentures (NCD)	1525.00	ACUITE AA Stable Reaffirmed	-
Non Convertible Debentures (NCD)	475.00	Not Applicable Withdrawn	-
Bank Loan Ratings	2295.00	-	ACUITE A1+ Reaffirmed
Commercial Paper (CP)	400.00	-	ACUITE A1+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	5400.00	-	-
Total Withdrawn Quantum (Rs. Cr)	475.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE AA**' (**read as ACUITE double A**) and the short-term rating of '**ACUITE A1+**' (**read as ACUITE A one plus**) on the Rs. 3000 Cr. bank loan facilities of Sun Petrochemicals Private Limited (SPPL). The outlook is '**Stable**'.

Acuite has reaffirmed its short-term rating of '**ACUITE A1+**' (**read as ACUITE A one plus**) on the Rs.400 Cr. Commercial Paper (CP) of Sun Petrochemicals Private Limited (SPPL).

Acuite has reaffirmed its long-term rating of '**ACUITE AA**' (**read as ACUITE double A**) on the Rs.1525 Cr. Non-Convertible Debentures (NCDs) of Sun Petrochemicals Private Limited (SPPL). The outlook is '**Stable**'.

Acuite has withdrawn its long-term rating on the Rs.475.00 Cr. Non-Convertible Debentures (NCDs) of Sun Petrochemicals Private Limited (SPPL) without assigning any rating as the instrument is fully repaid and no longer an outstanding obligation of the company. The rating is being withdrawn on account of the request received from the company on account of redemption of NCD and NOC (No Objection Certificate) has received from debenture trustee. The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument.

Acuite has assigned its long-term rating of '**ACUITE AA**' (**read as ACUITE double A**) on the Rs.475.00 Cr. proposed Non-Convertible Debentures (NCDs) of Sun Petrochemicals Private Limited (SPPL). The outlook is '**Stable**'.

Rationale for rating

The rating reaffirmation considers the augmentation in business risk profile of the company reflected by improvement in profitability margin albeit moderation in revenue in FY24. However, it has improved in FY25 reflected by revenue recorded of Rs 1316.00 Cr. till 9MFY25 and expected to continue further. The rating continues to draw comfort from SPPL's strong parent Shanghvi Financial Private Limited (SFPL). SPPL is promoted by SFPL headed by Mr. Dilip Shanghvi, the promoter of Sun Pharmaceutical Industries Limited (SPIL). SPPL's bank facilities were earlier backed by corporate guarantee issued by SFPL, which has been withdrawn except for Bank guarantee of Rs 30.00 Cr. availed through Kotak bank facilities which is under process for review.

However, Acuite considers the implicit support from SFPL in form of unsecured loans and equity infusions. The ratings also consider the extensive experience of the senior management team in the oil exploration & production (E&P) segment. The above-mentioned rating strengths are partly offset by susceptible of SPPL's operations towards volatility in forex rates and crude oil price.

About the Company

Incorporated in 1955, Sun Petrochemicals Private Limited (SPPL) is a Vadodara based company promoted by Shanghvi Finance Private Limited (SFPL) with holding of 67 per cent as on 31st March 2024. The company is headed by Mr. Dilip Shanghvi, the promoter of Sun Pharmaceutical Industries Limited (SPIL), one of the largest Global Specialty Generic Company. Initially SPPL was into manufacturing of acetylene carbon black, which is used in batteries, semi-conductive rubber & polymer compounds, conductive tapes, curing bladders for tires and other conductive applications. From 2014, the company entered upstream Oil & Gas business and has signed various Production Sharing Contracts with Government of India to carry out development and production of Oil and Gas. The upstream operations of the Company started with the acquisition of Participating Interest in the Oil fields located in Gujarat and Western Offshore. Currently, SPPL has been actively operating four oil fields (Baola, Modhera, Hazira and CB-ONN2003/1-Bhaskar Field). Besides, it has 6 new fields of which two are under development stage and four under exploration stage.

About the parent company

Shanghvi Finance Private Limited (SFPL) is a holding company for Sun Pharmaceutical Industries Limited. It holds ~40 per cent in SPIL as on 31st March 2024. Incorporated in 1989, SFPL is Mumbai based company primarily engaged in making investments in various asset classes, viz, debt, listed and unlisted equity, real estate, etc

Unsupported Rating

Acuite A/Stable (Upgraded from Acuite A-/Stable)

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SPPL while arriving at the rating. Acuite has also factored in the support received by SPPL from its parent SFPL.

Key Rating Drivers

Strengths

Extensive experience of the management in the oil exploration & production (E&P) segment

SPPL is a Vadodara based company promoted by Shanghvi Finance Private Limited (SFPL) which is the promoter of Sun Pharmaceutical Industries Limited (SPIL) – one of the largest Global Specialty Generic Company. Initially, SPPL was into manufacturing of acetylene carbon black. From 2014, the company entered upstream Oil & Gas business and has closed its other segments. SPPL acquired management personnel with extensive experience in the oil E&P industry. SPPL's oil E&P operations are headed by Mr. Padam Singh – President, a post-graduate in Chemical Engineering from IIT – Roorkee with over four decades of experience in ONGC, Reliance and GSPC. He is supported by second tier management with experience over three decades from companies such as ONGC and Reliance. Acuite believes that SPPL will derive benefits from its management with extensive experience in the oil E&P segment.

Strong financial flexibility and resource mobilization ability of the promoters

Sun Petrochemicals Private Limited (SPPL) is the Sun Group (SG)'s expansion into the exploration & production (E&P) segment. SPPL is promoted by Shanghvi Finance Private Limited (SFPL) which holds ~67 percent in SPPL as on 31st March 2024. SFPL is the holding and investment company for SG's flagship company i.e. Sun Pharmaceutical Industries Limited (SPIL) which holds around ~40 percent amounting to ~Rs. 66228 crore in SPIL as on 31st March 2024. SFPL's total revenue for FY24 stood at ~Rs.1414.84 crore. The liquid investment and dividends income from SPIL gives the promoters and the promoter group significant financial flexibility. SFPL generated net cash accruals of ~Rs. 1070.44 crore during FY24. SFPL has provided strong financial and management support to SPPL reflected by infusion of unsecured loans to the tune of ~Rs.176.67 crore as on March 31, 24 for supporting its operations. SPPL's bank facilities were earlier backed by corporate guarantee issued by SFPL, which has been withdrawn for Axis bank facilities and for Kotak Mahindra's Bank facilities, extended corporate guarantee of Rs 30.00 Cr. for bank guarantee and the same is under process for withdrawal. However, Acuite considers the implicit support from SFPL in the form of unsecured loans and equity infusions.

Acuite believes that SFPL will continue to provide financial support to the company for smooth running of its operations going ahead. However, SFPL's obligations to other entities in the group is expected to restrict the support available to a small extent.

Improvement in profitability albeit moderation in revenue; adequate offtake agreement

SPPL's oil extraction operations have stabilised in FY22 and that is also reflected in their revenues in the last three fiscal but the revenues of SPPL marginally declined and stood at Rs. 1239.60 Cr. in FY24 against Rs.1316.13 Cr. in FY23 majorly on account of shut down of plant for planned maintenance activities in the last quarter of FY24 and dip in overall price realisation of crude oil. However, the company has reported revenue of Rs 1316.00 Cr. till 9MFY25 which surpassed the revenue reported in FY24 and FY23 as well, further SPPL expected to close FY25 with Rs ~1850.00 crore in revenues. The Bhaskar oil field remains the major field for its operations generating more than 95 percent of the revenues where it produces oil to the tune of ~10000 bbls/day. The company has the development and production rights of producing Oil in four fields i.e. Bhaskar, Hazira, Baola and Modhera.

SPPL has signed an agreement in July 20 with Indian Oil Corporation for offtake of its oil which is benchmarked to the Bonny Light oil index (with a discount). SPPL's operating margins continue to remain healthy at 66.06 percent in FY24 as against 65.83 percent in FY23. The company's oil extracting operating costs remained low in the range of ~20 to 30 USD per barrel. Thus, any further increase in oil prices going forward is expected to improve SPPL's operating performance.

Acuité expects SPPL's ability to maintain its scale of operations along with profitability will be a key rating sensitivity. Acuite notes that the company has invested Rs.663.10 Cr. in three partnership entities/LLPs of the group as on March 31, 2024 while the management plans to divest the said stake in these entities in the near to medium term, the returns on these investments and any further investments thereof would be a key monitorable.

Healthy financial risk profile

The healthy financial risk profile of the company is marked by healthy net worth, low gearing and healthy debt protection metrics. The tangible net worth stood at Rs. 1291.19 Cr. as on March 31, 2024 as against Rs. 789.80 Cr. as on March 31, 2023 on account of accretion of reserves.

The total debt of the company decreased to Rs 276.67 Cr. as on March 31, 2024 as against Rs. 1051.78 Cr. as on March 31, 2023 on account of redemption of Non-Convertible debentures and repayment of unsecured loan availed through SFPL. Based on that gearing (debt to equity) improved which stood at 0.21 times as on March 31, 2024 as against 1.33 times as on March 31, 2023.

The interest coverage ratio stood (ICR) stood comfortable at i.e. 9.23 times in FY2024 as against 15.02 times in FY2023. Likewise, the DSCR of the company also stood comfortable at 6.07 times in FY2024 owing to repayment of debt obligations during FY2024 as against 14.41 times in FY2023.

Acuité expects the financial risk profile to remain healthy over the medium term on account of healthy accretion to reserves and healthy profitability margins.

Efficient working capital operations

The working capital management of the company is efficient marked by improved Gross Current Assets (GCA) of 56 days as on 31st March 2024 as compared to 97 days as on 31st March 2023 supported by timely receipts from clientele. The inventory holding period improved and stood 31 days in FY2024 as against 47 days in FY2023. The debtors holding period also improved which stood at 20 days in FY2024 as against 69 days in FY2023. The creditors holding period increased which stood at 119 days in FY2024 as against 35 days in FY2023. The fund - based limit utilisation remained nil and Non fund based utilisation remained ~92.75 percent in the month of December 24.

Acuite believes that working capital operations of the group will remain efficient over the medium term as evident from the efficient collection mechanism and low inventory levels.

Weaknesses

Susceptibility of margins to fluctuations in the oil prices and forex rates

SPPL's offtake agreement with IOCL is benchmarked to Bonny Light oil price index. This is denominated in US dollars. Any adverse movement in oil prices or forex rates will directly impact the SPPL's margins as the revenues will decline without any corresponding decrease in production costs.

ESG Factors Relevant for Rating

The petroleum industry has a significant environmental impact as the upstream operations of the petroleum industry negatively impact biodiversity. The management of toxic waste and reduction of carbon footprint is crucial for this industry. Furthermore, issues such as reducing environmental impact, sustainable supply chain management and achieving energy efficiency are crucial for the extraction industry. The company has policies, and initiatives to reduce air pollutants & waste. Upstream operations of petroleum industry face several social risks, with occupational health and safety being a major concern due to workers' proximity to heavy machinery, chemicals and equipment repair. Human rights and community development are key social issues critical to the extraction industry. Other material issues include product quality and supply chain management. The company has in place initiatives for human rights, community services and workforce health & safety.

For upstream operations in the petroleum industry, regulatory compliance and board oversight are critical issues.

Moreover, ethical business practices are key material issues to the extraction industry. The company has adopted policies on equal voting and board gender diversity. Further, the company complies with the Companies Act 2013 for external auditor rotation and listing regulations.

Rating Sensitivities

- Completion of the planned capex without significant time and cost over runs
- Slower than expected of growth in revenues on account of lower-than-expected oil production
- Moderation in SFPL's financial risk profile or change in support philosophy of the promoter group

All Covenants

Currently not available, since these are proposed NCD limits

Liquidity Position

Strong

SPPL's liquidity position remains strong as reflected by a healthy generation of cashflows of ~Rs. 559.28 Cr. in FY24 with absence of the long-term debt repayment obligation. Besides, the company has liquidity buffer with unutilised CPs of Rs. 400 Cr. and working capital limits. The strong liquidity profile of the company is also supported by the financial flexibility emanating from the strong promoter support from SFPL in the form of infusion of funds as the unsecured loans to the tune of Rs 176.67 Cr. for smooth running of operations.

Acuite believes SPPL to maintain a strong liquidity profile on account of its healthy cash generation and support available from its parent.

Outlook

Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1239.60	1316.13
PAT	Rs. Cr.	510.87	510.10
PAT Margin	(%)	41.21	38.76
Total Debt/Tangible Net Worth	Times	0.21	1.33
PBDIT/Interest	Times	9.23	15.02

Status of non-cooperation with previous CRA (if applicable)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>
- Commercial Paper: <https://www.acuite.in/view-rating-criteria-54.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Feb 2024	Proposed Short Term Bank Facility	Short Term	25.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	440.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	500.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	350.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	325.00	ACUITE A1+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	655.00	ACUITE A1+ (Reaffirmed)
	Commercial Paper Program	Short Term	400.00	ACUITE A1+ (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	200.00	ACUITE AA Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	474.00	ACUITE AA Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE AA Stable (Reaffirmed)
	Secured Overdraft	Long Term	20.00	ACUITE AA Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE AA Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	475.00	ACUITE AA Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	1525.00	ACUITE AA Stable (Reaffirmed)
08 Mar 2023	Proposed Short Term Bank Facility	Short Term	25.00	ACUITE A1+ (Assigned)
	Bank Guarantee (BLR)	Short Term	440.00	ACUITE A1+ (Assigned)
	Bank Guarantee (BLR)	Short Term	500.00	ACUITE A1+ (Assigned)
	Bank Guarantee (BLR)	Short Term	350.00	ACUITE A1+ (Assigned)
	Bank Guarantee (BLR)	Short Term	325.00	ACUITE A1+ (Assigned)
	Proposed Short Term Bank Facility	Short Term	655.00	ACUITE A1+ (Assigned)
	Commercial Paper Program	Short Term	400.00	ACUITE A1+ (Assigned)
	Working Capital Demand Loan (WC DL)	Long Term	200.00	ACUITE AA Stable (Assigned)
	Working Capital Demand Loan (WC DL)	Long Term	474.00	ACUITE AA Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE AA Stable (Assigned)
	Secured Overdraft	Long Term	20.00	ACUITE AA Stable (Assigned)
	Cash Credit	Long Term	1.00	ACUITE AA Stable (Assigned)
	Non-Convertible Debentures (NCD)	Long Term	475.00	ACUITE AA Stable (Assigned)
	Proposed Non Convertible Debentures	Long Term	1525.00	ACUITE AA Stable (Assigned)
	Working Capital Demand Loan (WC DL)	Long Term	40.00	ACUITE Not Applicable (Withdrawn)

	Term Loan	Long Term	160.00	ACUITE Not Applicable (Withdrawn)
23 Mar 2022	Working Capital Demand Loan (WCDL)	Long Term	40.00	ACUITE AA Stable (Upgraded from ACUITE A+ Stable)
	Term Loan	Long Term	160.00	ACUITE AA Stable (Upgraded from ACUITE A+ Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
IDFC First Bank Limited	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	440.00	Simple	ACUITE A1+ Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	500.00	Simple	ACUITE A1+ Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	350.00	Simple	ACUITE A1+ Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	325.00	Simple	ACUITE A1+ Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.00	Simple	ACUITE AA Stable Reaffirmed
IDFC First Bank Limited	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE AA Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Commercial Paper Program	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	400.00	Simple	ACUITE A1+ Reaffirmed
Not Applicable	INE0IWA08012	Non-Convertible Debentures (NCD)	16 Sep 2022	8.6	29 Apr 2024	475.00	Simple	Not Applicable Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Non Convertible Debentures	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1525.00	Simple	ACUITE AA Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Non Convertible Debentures	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	475.00	Simple	ACUITE AA Stable Assigned
Axis Bank	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE A1+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	655.00	Simple	ACUITE A1+ Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE AA Stable Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	200.00	Simple	ACUITE AA Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	474.00	Simple	ACUITE AA Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr No	Name of the entity
1	Sun Petrochemicals Private Limited

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Divya Bagmar Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

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