



Press Release
SHRI DATTA SHETKARI SAHAKARI SAKHAR KHARKHANA LIMITED
April 17, 2025
Rating Assigned and Reaffirmed

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---|------------------|----------------------------------|-------------------|
| Bank Loan Ratings | 515.00 | ACUITE BB+ Stable Assigned | - |
| Bank Loan Ratings | 125.00 | ACUITE BB+ Stable Reaffirmed | - |
| Total Outstanding Quantum (Rs. Cr) | 640.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) on Rs.125 Cr. bank facilities of Shri Datta Shetkari Sahakari Sakhar Kharkhana Limited (SDSSSKL). The outlook is **Stable**.

Acuite also has assigned its long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) on Rs.515 Cr. bank facilities of Shri Datta Shetkari Sahakari Sakhar Kharkhana Limited (SDSSSKL). The outlook is **Stable**.

Rationale for rationale:

The rating reaffirmation and migration from 'Issuer not-cooperating' reflects Shri Datta Shetkari Sahakari Sakhar Kharkhana Limited's (SDSSSKL) long operational track record in the sugar industry, its integrated operations with cogeneration and ethanol units and support derived from cooperative structure and established farmer base in Shirol, Maharashtra. The company benefits from a moderately diversified revenue stream through sale of sugar and ethanol which provides some cushion against cyclicity in the sugar sector. However, rating is constrained by susceptibility to agro-climatic risks, volatility in sugar prices, moderate financial risk profile and working capital intensive operations.

About the Company

Shri Datta Shetkari Sahakari Sakhar Kharkhana Limited (SDSSSKL) started its operations in 1970 with a license to operate a 1250 Tons Crushed per Day (TCD) sugar plant in Shirol, Kolhapur. It is a co-operative society governed by the Multi-State Co-operative Societies Act of 2002 since it has its operations in two states Maharashtra and Karnataka. Its founding members were Late Mr. Dattajirao Kadam, Late Mr. Dinkarrao Yadav, Late Mr. Vishwasrao Ghorpade and Late Mr. S R Patil. Currently, Mr. Ganpatrao Patil is its Chairman and day to day operations are managed by MD Mr. MV Patil. Currently, the entity has a sugarcane crushing capacity of 12000 TCD and distillery capacity of 90 KLPD and 135 KLPD rectified spirits and ethanol respectively. The company is engaged in production of white sugar, ethanol, molasses and presmud.

Unsupported Rating

Not applicable

Analytical Approach

Acuité has considered a standalone approach while assessing the business and financial risk profile of SDSSSKL.

Key Rating Drivers

Strengths

Experienced management, along with integrated business model and diversified revenue stream

The entity was established in 1970 and has an established operational track record of over five decades. Its founding members were Late Mr. Dattajirao Kadam, Late Mr. Dinkarrao Yadav, Late Mr. Vishwasrao Ghorpade and Late Mr. S R Patil. Currently Mr. Ganpatrao Patil is its Chairman and day to day operations are managed by MD Mr. MV Patil. The extensive experience of the management has helped to forge healthy customer and suppliers relationships. The entity has partially mitigated risks associated with its core sugar operations by diversifying into distillery and cogeneration operations, though the co-generation segment is managed through a separate subsidiary (USDPL). Acuite believes that with presence in distillery and ethanol divisions, minimum support price policy for sugar supported by government and assured offtake from Oil Marketing companies (OMC's) provide a stable revenue stream, partly mitigating volume linked revenue loss.

Stable revenue and sugar recovery:

The society operates in an agro based business which is susceptible to seasonal volatility in sugar production and overall demand for sugar. Currently, SDSSSKL is operating sugar plant with a capacity of 12000 TCD, which has shown a steady sugar recovery percentage at 10.74 percent in FY2023, 10.68 percent in FY2024 and 10.84 percent in 11MFY2025. The society's revenue stood at Rs.611.06 Cr. in FY2024, compared to Rs.526.44 Cr. in FY2023 and Rs.548.81 Cr. in FY2022. The fluctuation in the revenue is driven by irregular sugar production, which is influenced by the availability of sugarcane. The sugar contribution to total revenue stood at 84 percent in FY2024 against 78 percent in FY2023 and 92 percent in FY2022. Further, the society also generates revenue from its distillery unit from sale of rectified spirits and ethanol whose contribution was in the range of 15-22 percent over the past three years. However, the operating profit margins remained thin at 2.62 percent in FY2024 as against 2.92 percent in FY2023 and 0.11 percent in FY2022, primarily due to higher raw material costs. However, due to other income by way of rents and royalty the society was net profitable over the last three years. In the current year till February 2025, the society registered revenue of ~Rs.528.22 Cr.

Acuite believes that the society's revenue is susceptible to sugarcane availability across Maharashtra. However, early cane procurement planning and integration with ethanol production, supported by guaranteed offtake from oil marketing companies, is expected to ensure stable revenue, partially mitigating the impact of fluctuations in sugarcane supply.

Weaknesses**Moderate financial risk profile:**

The financial risk profile of the society is moderate with moderate network, debt protection metrics and moderately leveraged capital structure. The society's network stood at Rs.272.64 Cr. as on March 31, 2024 against Rs. 255.32 Cr. as on March 31, 2023. The improvement in network is due to issue of additional equity and increase of depreciation reserve fund during the year. The society's total debt as on March 31, 2024 stood at Rs.730.08 Cr. comprising ~Rs.325 Cr. in long term debt and ~Rs.405 Cr. in working capital debt against the network of Rs.272.64 Cr. resulting in gearing of 2.68 times as on March 31, 2024. The total outside liabilities to tangible network stood at 3.31 times as on March 31, 2024 compared to 3.02 times as on March 31, 2023. The debt protection metrics remained moderate with interest coverage ratio (ICR) and debt service coverage ratio (DSCR) of 1.10 times as on March 31, 2024 compared to 1.14 times of ICR and 1.13 times of DSCR as on March 31, 2023. Debt to EBITDA stood high at 16.11 times as on March 31, 2024 against 19.32 times as on March 31, 2023.

Acuite believes, that the financial risk profile of the society will remain moderate on account of high debt levels due to seasonal working capital needs.

Working capital intensive nature of operations:

The society's working capital operations are intensive in nature as reflected through the gross current asset days (GCA) of 341 days in FY2024 against 326 days in FY2023. The elongation in GCA days is due to higher inventory days due to seasonal nature of the business which has a crushing period of ~120 days during which the society builds significant inventory, leading to higher inventory days of 308 days in FY2024 compared to 263 days in FY2023. The inventory also includes the sugar, by-product stock such as molasses, press mud and ethanol, which further takes the inventory to elongated levels. Additionally, under the monthly release quota mechanism the government restricts the quantity of sugar allowed for sale, leading to high inventory levels. The society sources cane from member farmers and typically settles the payments within 21 days funded through internal accruals and working capital limits. Receivables primarily arise from ethanol sales to OMC's, with a realization period of 21 days. The society has fund based working capital limits of Rs.600 Cr, with an average utilization of 44 percent over the past 11 months ending February 2025. Acuite believes that the working capital operation of the society will remain intensive due to the seasonality and regulated nature of business.

Cyclical and regulated nature of sugar industry

The sugar industry is cyclical by nature and is vulnerable to the government policies for various reasons like its importance in the Wholesale Price Index (WPI) as it classifies as an essential commodity. The government on its part resorts to various regulations like 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.

Rating Sensitivities

- Ability to sustain growth in operating revenue and improvement in profitability levels.
- Ability to improve its financial risk profile and liquidity.
- Ability to maintain its cane crushing and sugar recovery rates.

Liquidity position: Adequate

SDSSSKL's liquidity position is adequate as reflected by the expected sufficient net cash accruals against the repayment obligations, moderate utilization of working capital limits and timely inflows from ethanol division. In FY2025, the society is expected to generate net cash accruals of Rs.18-22 Cr. against the scheduled debt repayment obligation of Rs.15.37 Cr. Additionally, the society's liquidity is supported by buffer available from the moderately utilized working capital limits, with average utilization at 44 percent over the past 11 months ending February, 2025. Further, liquidity is aided by the presence of off-season revenue from ethanol, where payments are typically received within 21 days as per the offtake agreement with OMC. Acuite believes that, given the seasonal nature of operations and regulatory constraints such as monthly sugar release quotas will have temporary pressure on liquidity, however buffer in working capital limits and timely receipts in ethanol will help in maintaining adequate liquidity.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 24 (Actual) | FY 23 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 611.06 | 526.44 |
| PAT | Rs. Cr. | 0.91 | 0.45 |
| PAT Margin | (%) | 0.15 | 0.09 |
| Total Debt/Tangible Net Worth | Times | 2.68 | 2.36 |
| PBDIT/Interest | Times | 1.10 | 1.14 |

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

Not applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

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>

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. Acuite'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 |
|-------------|--------------------------------|-----------|-----------------|---|
| 18 Jan 2024 | Cash Credit | Long Term | 46.00 | ACUITE BB+ (Reaffirmed & Issuer not co-operating*) |
| | Cash Credit | Long Term | 71.00 | ACUITE BB+ (Reaffirmed & Issuer not co-operating*) |
| | Cash Credit | Long Term | 8.00 | ACUITE BB+ (Reaffirmed & Issuer not co-operating*) |
| 08 Nov 2022 | Cash Credit | Long Term | 46.00 | ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable) |
| | Cash Credit | Long Term | 71.00 | ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable) |
| | Cash Credit | Long Term | 8.00 | ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Complexity Level | Rating |
|--|----------------------|----------------------------------|----------------------|----------------------|----------------------|-------------------|------------------|----------------------------------|
| Bank of India | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 125.00 | Simple | ACUITE BB+ Stable Reaffirmed |
| National Cooperative Development Corporation | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 200.00 | Simple | ACUITE BB+ Stable Assigned |
| M. S, CO-OPERATIVE BANK LIMITED | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 75.00 | Simple | ACUITE BB+ Stable Assigned |
| Not Applicable | Not avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 1.22 | Simple | ACUITE BB+ Stable Assigned |
| Bank of India | Not avl. / Not appl. | Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 30 Apr 2033 | 75.49 | Simple | ACUITE BB+ Stable Assigned |
| M. S, CO-OPERATIVE BANK LIMITED | Not avl. / Not appl. | Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 31 Jul 2032 | 130.96 | Simple | ACUITE BB+ Stable Assigned |
| Bank of India | Not avl. / Not appl. | Working Capital Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 31 Mar 2026 | 9.53 | Simple | ACUITE BB+ Stable Assigned |
| Bank of India | Not avl. / Not appl. | Working Capital Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 30 Apr 2028 | 22.80 | Simple | ACUITE BB+ Stable Assigned |

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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