



**Press Release**  
**L H SUGAR FACTORIES LIMITED**  
**April 18, 2025**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	701.16	ACUITE A-   Stable   Upgraded	-
Bank Loan Ratings	22.50	-	ACUITE A1   Upgraded
Total Outstanding Quantum (Rs. Cr)	723.66	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuité has upgraded the long term rating to ‘ACUITE A-’ (read as ACUITE A minus) from ‘ACUITE BB+’ (read as ACUITE double B plus) and short term rating to ‘ACUITE A1’ (read as ACUITE A one) from ‘ACUITE A4+’ (read as ACUITE A four plus) on the Rs. 723.66 Cr. bank facilities of L H Sugar Factories Limited (LHSFL). The outlook is ‘Stable’.

**Rationale for rating**

The rating upgrade and migration from "Issuer Non-Cooperating" reflects extensive experience of promoters in the sugar industry, long track record of integrated operations, healthy relationship with sugarcane farmers and diversified customer base. The rating also gets comfort from improvement in profitability, healthy financial risk profile and adequate liquidity profile of the company. However, the ratings are constrained on account of working capital intensive nature of industry, industry cyclicity, agro-climatic risks and intense competition.

**About the Company**

L H Sugar Factories Limited was incorporated in 1933 by two brothers – Raja Lalta(L) and Sahu Hari(H). At present the company is being managed by the descendants of the two family. The company is engaged in manufacturing of sugar and its by-products such as molasses used for ethanol generation and bagasse used for power generation. L H Sugar Limited Factories has 12500 Tonnes Crushed Per Day (TCD) sugar mill at Pilibhit in north-western UP. The sugar mill is forward integrated with co-generation of 44.25 MW and a distillery of 160 Kilo Litres Per Day (KLPD). The company has its registered office at Uttar Pradesh and the current directors of the company are Mr. Ayush Agarwal, Mr. Dinesh Rai, Mr. Sidharth Prasad, Mr. Arvind Prasad, Mr. Basant Kumar Goswami, Mr. Mukund Prasad, Mr. Yugal Kishor Agarwal, Mr. Bharat Swaroop, Mr. Raghav Chandra, Mr. Subodh Chandra and Mr. Reina Swaroop.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

For arriving at the rating, Acuité has taken the standalone view on the business and financial risk profile of L H Sugar Factories Limited.

**Key Rating Drivers**

## **Strengths**

### **Experienced management and Forward integrated business model with sugar by-products**

LH Sugar Factories commenced its operations in 1910 by two brothers, Mr. Raja Lalta and Mr. Sahu Hari and later in 1933, it was converted into limited company. At present the company is being managed by the descendants of the two family. The company has broad outlook with the company's day to day operations being managed by qualified professionals which is ably supported by well experienced technical team. The company has sugar mill with a capacity of 12,500 TCD, the sugar mill is forward integrated with bagasse based co-generation of 44.25

MW. It has developed healthy relations with sugarcane farmers as the company has low cane arrears as compared to other sugar mills in the locality. Acuité believes that the company will be benefitted over the medium term on the back of established presence in the sugar industry for more than ten decades.

#### **Improvement in profitability albeit decline in revenue**

The revenue from the operations of the company has declined by ~17%, thereby decline in the top line from Rs. 1203.42 Cr. in FY23 to Rs. 993.45 Cr. In FY24 due to lesser exports during the year as Govt. had not permitted the sugar export quota during the season 2023-24 (Export sales in FY23 was Rs157.94 Cr.). This also led to high inventory build-up for the Company during year end. The operating margin of the company stood at 10.19% in FY24 against 7.35% in FY23 due the in season 2023-24 the recovery percentage of sugar had been increased to 10.51% from 9.46% in the season 2022-23. The Net margin of the company stood at 4.40% in FY24 against 3.16% in FY23. Company has achieved the operating revenue of Rs. 710.33 Cr. in 9MFY25. Acuite believes that the current sugar season year will also be impacted due to untimely monsoon during the seeding of the sugarcane.

#### **Healthy Financial risk profile**

The company's financial risk profile is marked by healthy net worth, gearing and debt protection metrics. The tangible net worth (after adjusting revaluation reserve) of the company improved to Rs. 358.82 Cr. as on March 31, 2024 from Rs. 322.90 Cr. as on March 31, 2023, due to accretion of profits in reserves. The gearing of the company stood at 1.19 times as on March 31, 2024, as against 1.04 times as on March 31, 2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.58 times as on March 31, 2024, as against 1.46 times as on March 31, 2023. The debt protection metrics of the company is marked by ISCR at 6.15 times and DSCR at 1.04 times as on March 31, 2024. The ROCE of the company is 10.15% in FY24. Acuité believes that going forward the financial risk profile of the company is likely to be sustained backed by steady accruals and no major debt funded capex plans.

#### **Weaknesses**

##### **Intensive Working capital operations**

The working capital operations of the company is intensive marked by Gross Current Assets (GCA) of 216 days as on 31st March 2024 as compared to 147 days as on 31st March 2023. The GCA days are high on account of inventory days which are at 216 days in FY24 against 135 days in FY23. The high inventory days due to regulatory impact on sugar given that the sugar selling quota is provided by the Government, in case it is lower than production, the inventory piles up. The debtor days stood at 14 days and creditor days stood at 11 days for FY24. Acuité believes that the working capital operations of the company will remain at same level due to nature of the business.

##### **Profitability of sugar mills remains vulnerable to industry cyclicity and agroclimatic risks**

Being an agro-commodity, the sugar cane crop is dependent on climatic conditions and is vulnerable to pests and diseases that may not only impact the yield per hectare but also the recovery rate. These factors can have a significant impact on the company's profitability. In addition, the cyclicity 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. Over the long term, higher ethanol production with increased diversion towards B-heavy molasses and direct sugar juice is expected to help curtail the excess supply of sugar, resulting in lower volatility in sugar prices and in turn, cash flows from the sugar business. Further, the sugar industry is highly competitive and fragmented marked by presence of many organised and unorganised players in this industry, thus putting pressure on the profitability margins of the company.

#### **Rating Sensitivities**

- Movement in scale of operations
- Movement in profitability
- Movement in working capital operations

#### **Liquidity Position**

##### **Adequate**

The company has adequate liquidity marked by net cash accruals to its maturing debt obligations, current ratio. The company generated the net cash accruals of Rs. 73.56 Cr. for FY24 as against the debt repayment obligations of Rs. 70.36 Cr. for the same period. The current ratio of the company stood at 1.26 times as on 31 March 2024. The cash and bank balances of the company stood at Rs. 4.52 crore. The average utilization of fund-based limits for the last 9 months ending January 2025 is 55.85%. Acuité believes that the liquidity position of the company will remain adequate on account of healthy net cash accruals against matured debt obligations over the medium term.

#### **Outlook: Stable**

#### **Other Factors affecting Rating**

None



## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	993.45	1203.42
PAT	Rs. Cr.	43.73	38.00
PAT Margin	(%)	4.40	3.16
Total Debt/Tangible Net Worth	Times	1.19	1.04
PBDIT/Interest	Times	6.15	5.54

**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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
13 Jun 2024	Bank Guarantee (BLR)	Short Term	9.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A1)
	Working Capital Term Loan	Long Term	60.51	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A-   Stable)
	Term Loan	Long Term	11.16	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A-   Stable)
	Cash Credit	Long Term	160.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A-   Stable)
	Cash Credit	Long Term	145.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A-   Stable)
	Term Loan	Long Term	56.08	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A-   Stable)
	Term Loan	Long Term	20.44	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A-   Stable)
	Term Loan	Long Term	18.59	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A-   Stable)
	Term Loan	Long Term	24.75	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A-   Stable)
	Cash Credit	Long Term	50.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A-   Stable)
	Proposed Long Term Bank Facility	Long Term	113.13	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A-   Positive)
	Proposed Long Term Bank Facility	Long Term	5.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A-   Positive)
	Working Capital Demand Loan (WCDL)	Long Term	50.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A-   Stable)
16 Mar 2023	Working Capital Term Loan	Long Term	82.97	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	21.15	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	12.53	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	160.00	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	145.00	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	59.08	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	38.45	ACUITE A-   Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	2.61	ACUITE A-   Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	15.00	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	51.21	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	11.91	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	24.75	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	50.00	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	40.00	ACUITE A-   Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	9.00	ACUITE A1 (Reaffirmed)

# Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	22.50	Simple	ACUITE A1   Upgraded ( from ACUITE A4+ )
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	300.00	Simple	ACUITE A-   Stable   Upgraded ( from ACUITE BB+ )
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE A-   Stable   Upgraded ( from ACUITE BB+ )
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	193.16	Simple	ACUITE A-   Stable   Upgraded ( from ACUITE BB+ )
State Bank of India	Not avl. / Not appl.	Term Loan	27 Mar 2020	Not avl. / Not appl.	31 Mar 2028	49.50	Simple	ACUITE A-   Stable   Upgraded ( from ACUITE BB+ )
State Bank of India	Not avl. / Not appl.	Term Loan	29 Sep 2023	Not avl. / Not appl.	30 Mar 2029	21.60	Simple	ACUITE A-   Stable   Upgraded ( from ACUITE BB+ )
State Bank of India	Not avl. / Not appl.	Term Loan	15 Jan 2022	Not avl. / Not appl.	30 Sep 2026	14.65	Simple	ACUITE A-   Stable   Upgraded ( from ACUITE BB+ )
ICICI Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE A-   Stable   Upgraded ( from ACUITE BB+ )
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	31 Dec 2020	Not avl. / Not appl.	31 Dec 2025	22.25	Simple	ACUITE A-   Stable   Upgraded ( from ACUITE BB+ )

## Contacts

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### About Acuité Ratings & Research

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