



**Press Release**  
**Shri Balaji Sugars And Chemicals Private Limited**  
**July 04, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BB-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	30.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating at '**ACUITE BB-' (read as ACUITE double B minus)** to the Rs.30.00 crore bank facilities of Shri Balaji Sugars and Chemicals Private Limited (SBSCPL). The outlook is '**Stable**'.

**Rationale for Rating Reaffirmation**

The rating reaffirmation continues to factor established track record of operations of more than a decade in the sugar industry and the forward integration into cogeneration which produces power, leading to better operating margins. The rating, however, is constrained by moderate financial risk profile, working capital intensive nature of operations and cyclical and regulated nature of the sugar industry. Going forward, SBSCPL's ability to improve its scale of operations while maintaining its profitability margins will remain key rating monitorable.

**About the Company**

Incorporated in 2011, Shri Balaji Sugars and Chemicals Private limited is a Karnataka based company promoted by Mr. Hanamanthgouda S Patil, Mr Venkatesh S Patil, Dr Ajit V Kanakaraddi, Mr Nandakumar V. Patil and Mr H L Patil. The company is engaged in manufacturing of sugar, ethanol and power cogeneration. The unit is located in Vijayapur (Karnataka) and has crushing capacity of 10,000 tonnes crushed per day (TCD) and an ethanol plant of 120 KLPD. SMSEL also has a cogeneration plant of 26 mega-watts (MW).

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of SBSCPL to arrive at the rating.

## Key Rating Drivers

### Strengths

#### **Experienced management and established track record of operations**

SBSCPL was incorporated in 2011. The company is promoted by Mr. Hanamanthgouda S Patil, Mr. Venkatesh S Patil, Dr Ajit V Kanakaraddi, Mr Nandakumar V. Patil and Mr. H L Patil. The promoter's have an experience of over a decade in the industry. The promoters extensive

experience has enabled the company to develop long-standing relations with its customer. Also, the company has recorded a revenue of around Rs.559.96 crore in FY2023 as against Rs.364.75 crore in FY2022. Further, the company has achieved ~Rs. 478.89 crore in FY2024. Similarly, EBITDA margin of the company stood at 19.87 percent in FY2023 as against 23.39 percent in FY2022. The decline in EBITDA margin is on account of increase power and fuel cost. PAT margin stood at 5.61 percent in FY2023 as against 4.84 percent in FY2022. Acuité believes that the company will continue to benefit from its experienced management and longstanding relations with customers over the medium term.

## **Weaknesses**

### **Intensive Nature of Working Capital Operations**

The working capital management of the company is intensive marked by GCA days of 179 days in FY2023 as against 285 days in FY2022. The reason for decline in GCA days is on account of improvement in inventory levels. The inventory days stood at 184 days in FY2023 as against 281 days in FY2022. Also, the debtor days stood at 18 days in FY2023 as against 43 days in FY2022. The average credit period allowed to customers is around 30-60 days. The creditor days stood at 135 days in FY2023 as against 213 days in FY2022. The average bank limit utilization stood moderate at around 60.75 percent for the last 12 months ended May 2024.

Acuité believes that working capital operations will continue to remain at similar levels over the medium term on account of nature of industry.

### **Below Average Financial Risk Profile**

The financial risk profile of the company stood below average marked by below average net worth, high gearing and moderate debt protection metrics. The tangible net worth stood at Rs.13.72 crore as on March 31, 2023 as against (Rs.17.70) crore as on March 31, 2022. The total debt of the company stood at Rs.372.55 crore, which includes Rs.164.05 crore of long-term debt, Rs.5.39 crore of unsecured loans and Rs.203.11 crore of short-term debt as on March 31, 2023. The gearing (debt-equity) stood at 27.15 times as on March 31, 2023 as against (23.22) times as on March 31, 2022. Interest Coverage Ratio stood at 2.52 times for FY2023 as against 2.13 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 1.15 times for FY2023 as against 1.29 times for FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 42.27 times as on March 31, 2023 as against (34.92) times as on March 31, 2022. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.19 times for FY2023 as against 0.12 times for FY2022.

Acuité believes that the financial risk profile of the company is expected to remain at similar levels on account of steady accruals generation.

### **Cyclicality associated with sugar industry and susceptibility of profitability to volatility in raw material prices**

The operations of the group are dependent on sugarcane production, which is highly dependent on the monsoon and prices prevailing in the alternative crops such as rice and wheat. The sector is also marked by the presence of several other players which lead to intense competition from the other players. Sugarcane and the other by-products manufactured by the group remain extremely sensitive to fluctuations in commodity prices, thereby impacting the overall revenue and profitability profile of the group. Sugarcane production is highly dependent on the monsoon and fluctuation in FRP (Fair Remunerative Price) will have a bearing on the overall revenue and profitability.

## **Rating Sensitivities**

- Maintaining and improving the scale of operations and profitability margins leading to improvement in overall financial risk profile.
- Elongation of working capital cycle.
- Ability to improve financial risk profile.

## **Liquidity Position**

### **Adequate**

The company has adequate liquidity marked by generation of sufficient net cash accruals to repay its maturing debt obligations. The company generated net cash accruals of Rs.71.58 crore during FY2023 against the maturing debt obligation is Rs.56.14 crore during the same period. The company's working capital operation stood intensive marked by GCA days of 179 days in FY2023 as against 285 days in FY2022. The company maintains an unencumbered cash and bank balances of Rs.3.69 crore as on March 31, 2023. The current ratio of the company stood low at 0.62 times as on March 31, 2023, as against 0.64 times as on March 31, 2022. The average bank limit utilization stood moderate at around 60.75 percent for the last 12 months ended May 2024. Also, the debt repayments are timely serviced and there have been no instances of delays as confirmed by the lenders.

Acuité believes that the liquidity of SBSCPL is likely to remain adequate over the medium term on account of generating sufficient cash accruals against its debt obligations.

### **Outlook: Stable**

Acuité believes the company will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company shows improvement in the scale of operations and profitability margin while improving its financial risk profile and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the company's revenue or profitability or significant deterioration in the working capital cycle leading to deterioration in its financial risk profile and liquidity position.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	559.96	364.75
PAT	Rs. Cr.	31.42	17.65
PAT Margin	(%)	5.61	4.84
Total Debt/Tangible Net Worth	Times	27.15	(23.22)
PBDIT/Interest	Times	2.52	2.13

### 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>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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
06 Apr 2023	Cash Credit	Long Term	25.00	ACUITE BB-   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	5.00	ACUITE BB-   Stable (Reaffirmed)
28 Feb 2022	Proposed Long Term Bank Facility	Long Term	15.00	ACUITE BB-   Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Vijayapur DCC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BB-   Stable   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BB-   Stable   Reaffirmed

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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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