



Press Release

KALLAPPANNA AWADE JAWAHAR SHETKARI SAHAKARI SAKHAR KARKHANA LIMITED (ERSTWHILE JAWAHAR SHETKARI SAHAKARI SAKHAR KARKHANA LIMITED)

March 28, 2025

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	650.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	650.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating at '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.650.00 Cr. bank loan facilities of Kallappanna Awade Jawahar Shetkari Sahakari Sakhar Karkhana Limited (Erstwhile Jawahar Shetkari Sahakari Sakhar Karkhana Limited) (KAJSSSKL). The outlook is '**Stable**'.

Rationale for rating

The rating continues to reflect 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 stable scale of operations, moderate financial risk profile and adequate liquidity profile of the society. 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

Incorporated in 1990, Kolhapur based Kallappanna Awade Jawahar Shetkari Sahakari Sakhar Karkhana Limited (KAJSSSKL) was registered under the Maharashtra Cooperative Societies Act 1960 in January 1990 and its status was changed to a 'Multi-State Cooperative Society' in 1994 by addition of villages in Karnataka besides Maharashtra. KAJSSSKL is into production and selling of sugar and other by products like molasses, bagasse, phospo compost, etc. It has installed crushing capacity of 16000 Tonnes Crushing per Day (TCD). It also has cogeneration power plant with installed capacity of 27MW and runs HPCL's petrol pump, which is adjacent to the factory. It is promoted and managed by Shri. Manohar Gopal Joshi along with other members.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Kallappanna Awade Jawahar Shetkari Sahakari Sakhar Karkhana Limited (KAJSSSKL) to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations in sugar industry

KAJSSSKL was incorporated in 1990 and manufactures sugar and by products such as molasses, bagasse, phospo compost, etc. The promoters are into the sugar industry since past more than 2 decades. KAJSSSKL, over the years

has not only expanded its cane crushing capacity to 16,000 tons per day from ~1016 tons per day initially but has also built longstanding relationship with farmers. KAJSSSKL also undertakes programme like cane development through providing good quality seed on credit, fertilisers, and offers guidance to farmers for modern farming, training for cultivation, etc. The good relationship with farmers enables KAJSSSKL in adequate and timely procurement of cane.

Stable Revenue and Profitability

The revenue from the operations of the society was stable and stood at Rs. 892.66 Cr. in FY24 against Rs. 889.15 Cr. in FY23 due to untimely monsoon which impacted the cultivation of sugarcane leading to reduced crushing

days in sugar season (SS) 2023-24. The operating margin of the society stood at 7.97% in FY24 against 6.27% in FY23 due to the increase in the price realisation. The pat margin stood at 0.10% in FY24 against 0.04% in FY23. In FY24, the society has created the provision for unforeseen circumstances of Rs. 11.75 Cr. which is impacted the net profit of FY24. Society has achieved the operating revenue of Rs. 684.68 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.

Moderate Financial risk profile

The society's financial risk profile is moderate marked by moderate net worth, gearing and debt protection metrics. The tangible net worth of the society improved to Rs. 181.09 Cr. as on March 31, 2024 from Rs. 175.40 Cr. as on March 31, 2023, due to accretion of profits in reserves and infusion of funds. The Gearing of the society stood at 2.90 times as on March 31, 2024, as against 2.62 times as on March 31, 2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 4.36 times as on March 31, 2024, as against 3.84 times as on March 31, 2023. The debt protection metrics of the society is marked by ICR at 1.29 times and DSCR at 1.28 times as on March 31, 2024. Acuite believes that going forward the financial risk profile of the society is likely to be sustained backed by steady accruals and no major debt funded capex plans.

Weaknesses

Working capital operations

The working capital operations of the society is intensive marked by Gross Current Assets (GCA) of 312 days as on 31st March 2024 as compared to 261 days as on 31st March 2023. The GCA days are high on account of inventory days which are at 280 days in FY24 against 238 days in FY23. The high inventory days is due to the quota given by the government to sell the sugar, the balance is kept as inventory by the sugar mill. And the society is not allowed to sell more than the quota assigned to them. Hence, the inventory days are always high in sugar industry.. Hence, the inventory days are always high in sugar industry. The debtor days stood at 6 days and creditor days stood at 38 days for FY24. Acuite believes that the working capital operations of the society will remain at same level due to nature of the business.

Cyclic industry 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 society'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 society.

ESG Factors Relevant for Rating

Issues such as water usage and efficiency along with waste disposal, releasing air impurities and energy intensive production process are some environmental issues relevant to Sugar Industry. On the Social front, safety and wellbeing of the employees and member farmers is the foremost material issue the companies in this industry. Strict adherence to government interventions and policy frameworks are key governance issues. KAJSSSKL has installed requisite modern machinery, equipment and devices at various departments to check pollution. Society has also been conferred with awards in the past for its work on environment control front. On the social front, KAJSSSKL undertakes cane development programmes under which farmer members are provided with good quality seeds, fertilisers at subsidised costs, credit extension and medical aid to cane grower members and employees is provided.

Rating Sensitivities

- Movement in scale of operations
- Movement in operating margin
- Movement in working capital operations

Liquidity Position

Adequate

The society has adequate liquidity marked by net cash accruals to its maturing debt obligations, current ratio. The society generated the net cash accruals of Rs. 17.34 Cr. for FY24 as against the debt repayment obligations of Rs. 3.91 Cr. for the same period. The current ratio of the society stood at 1.16 times as on 31 March 2024. The cash and bank balances of the society stood at Rs. 13.50 crore. The average utilization of fund-based limits for the last 6 months ending December 2024 is 77.32%. Acuite believes that the society is expected to improve in the liquidity profile as the society is expecting to generate steady cash accruals in the next medium term indicating availability

of funds for any future endeavours.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	892.66	889.15
PAT	Rs. Cr.	0.88	0.32
PAT Margin	(%)	0.10	0.04
Total Debt/Tangible Net Worth	Times	2.90	2.62
PBDIT/Interest	Times	1.29	1.39

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
05 Jan 2024	Working Capital Term Loan	Long Term	25.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	68.67	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	200.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	200.00	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	6.33	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	50.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	100.00	ACUITE BBB- Stable (Reaffirmed)
05 Jan 2023	Cash Credit	Long Term	18.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	182.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	200.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	100.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	100.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	150.00	Simple	ACUITE BBB- Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	150.00	Simple	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	100.00	Simple	ACUITE BBB- 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.	146.17	Simple	ACUITE BBB- Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Term Loan	25 Sep 2024	Not avl. / Not appl.	31 Jul 2025	22.50	Simple	ACUITE BBB- Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Working Capital Term Loan	14 Dec 2021	Not avl. / Not appl.	14 Dec 2027	25.00	Simple	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Working Capital Term Loan	31 Jan 2022	Not avl. / Not appl.	31 Jan 2028	56.33	Simple	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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