



Press Release
SIDDAPUR DISTILLERIES LIMITED
October 31, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	240.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	240.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assigned its long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) on the Rs. 240 Cr. of Bank loan facilities of Siddapur Distilleries Limited (SDL). The outlook is ‘**Stable**’.

Rationale for rating assigned

The rating assigned reflects the promoters’ extensive experience in the sugar industry and the benefits of forward integration into co-generation and distillery operations, which provide alternative revenue streams and help mitigate the industry’s cyclical nature. The rating is further strengthened by the acquisition of a new sugar plant under Gudagunti Sugars And Bioenergies Private Limited through NCLT which is expected to further strengthen the business risk profile of the group. Additionally the strategic location of the plants, and a moderate financial risk profile contribute positively. However, the rating is constrained by the working capital-intensive nature of operations, susceptibility to regulatory changes, inherent volatility in sugar prices, agro-climatic risks, and the cyclical trends of the industry.

About the Company

Siddapur Distilleries Limited (SDL) is incorporated in 2003, is engaged in production and sale of rectified spirit, ethanol and neutral spirit, as well as by-products such as biogas and organic manure. The Directors of the company are Mr. Jagadeesh Shivayya Gudagunti, Mr. Veerupakshayya Jagadeesh Gudagunti, Mr. Dharmalingayya Jagadeesh Gudagunti, Mr. Mruthyunjaya Chandrashekhar Hiremath and Mrs. Pooja Mahantesh Hiremath. The Registered office is located at Karnataka.

About the Group

Incorporated in 1995, Shri Prabhulingeshwar Sugars and Chemicals Limited (SPSCL) is engaged in the manufacturing of sugar and allied products. The Directors of the company are Mr. Sudheer Shivayya Gudagunti, Mr. Satish Shivayya Gudagunti, Mr. Nagappa Gadigeppa Sanadi, Mr. Deval Appasaheb Desai, Mrs. Ishwari Anand Gudagunti, Mr. Veerupakshayya Jagadeesh Gudagunti, Mr. Jagadeesh Shivayya Gudagunti, Mr. Dharmalingayya Jagadeesh Gudagunti, Mr. Rajendrakumar Shivayya Gudagunti, Mr. Mallappa Chinnappa Koti and Mr. Mahantesh Gurulingayya Hiremath. The Registered office is located at Karnataka.

Gudagunti Sugars And Bioenergies Private Limited (GSBPL) is Incorporated in 2023, is engaged in the manufacturing of sugar and allied products. The Directors of the company are Mr. Jagadeesh Shivayya Gudagunti and Mr. Veerupakshayya Jagadeesh Gudagunti. The Registered office is located at Karnataka.

Unsupported Rating
Not applicable

Analytical Approach

Extent of Consolidation
• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the business and financial risk profile of Shri Prabhulingeshwar Sugars and Chemicals Limited, Siddapur Distilleries Limited and Gudagunti Sugars & Bioenergies Private Limited together referred as Shree Prabhulingeshwar group (SPG). Rationale for consolidation being common management, common line of business and significant operational and financial linkages.

Key Rating Drivers

Strengths

Long operational track record and established presence in sugar and distillery businesses

Shri Prabhulingeshwar Group (SPG) was incorporated in 1995 by Mr. Jagadeesh S. Gudagunti. The promoters of the group have over four decades of experience in the sugar industry and enjoy wide acceptance among local farmers, facilitating adequate and timely cane procurement and ensuring an adequate crushing period. This has also helped the group improve its scale of operations. The group registered an operating revenue of Rs. 1,128.64 Cr. in FY24 (Provisional) compared to Rs. 912.12 Cr. in FY23. This improvement is backed by an increase in cane crushed during FY24 and capacity expansion in SDL from 140 KLPD in FY23 to 210 KLPD in FY24. Operating profits of the group remained stable, ranging from 13.25 percent to 17.47 percent over the past three years. Acuite believes that the group will continue to benefit from its promoters' excellence in the sugar industry and diversified revenue streams, their strong understanding of market dynamics, healthy relationships with customers and suppliers, and a positive domestic demand outlook, which will continue to support business growth over the medium term.

Integrated nature of operations

SPG has integrated mix of production capacities, comprising a cane crushing capacity of 12,000 TCD, co-generation power plant with capacity of 41.5 MW and molasses based distillery with capacity of 210 KLPD under Siddapur distillery limited (SDL). Group has increased its distillery capacity to 210 KLPD in FY24 from 140 KLPD in FY23 and 70 KLPD in FY22. The group's co-generation plant and distillery has adequate capacity to utilise all the molasses through crushing operations thereby resulting in fully integrated operations. In addition the takeover of new sugar plant under GSBPL with existing capacity of 3500 TCD will enhance the total capacity to 15,500 TCD. Group is planning to further enhance the capacity of new plant from current 3500 TCD to 4500 TCD with capital outlay of Rs.50 Cr. in FY2025. Acuite believes that group's scale of operations will further improve through acquisition of new unit and operating performance will continue to be supported by its fully integrated nature of operations.

Strategic growth via new unit acquisition

SPG acquired a sugar manufacturing plant from Shri Shivsagar Sugar and Agro Products Limited (SSSAPL) through NCLT for a cost of Rs. 140 Cr. The group received NCLT approval for the acquisition in May 2024. The acquired plant is located 35 kilometers from SPG's existing sugar plant. The group already has established relationships with farmers and traders in the region. The plant has been in continuous operation in previous years. The group plans to expand its capacity from 3,500 TCD to 4,500 TCD in FY2025. Acuite believes that timely stabilisation of operations of new plant will be key rating monitorable.

Moderate financial risk profile

SPG's financial risk profile is moderate marked by moderate capital structure and coverage indicators. Group's net-worth stood at Rs.467.30 Cr. as on 31 March 2024(Prov) as against Rs.327.60 Cr. as on 31st March 2023. Improvement in net worth is due to accretion of profits to reserves and infusion of unsecured loan (USL) amounting Rs.100 Cr. during FY24. The total debt of Rs.538.37 Cr. as on March 2024 (Prov) consists of short-term debt of Rs.248.64 Cr, long term debt of Rs.232.65 Cr, USL of Rs.33.50 Cr. and CPLTD of Rs.23.59 Cr. Gearing(debt-equity) stood moderate at 1.15 times as on March 31st 2024 (Prov) as against 1.72 times as on March 31st 2023 and 1.67 times as on March 31st 2022. The debt protection metrics of interest coverage ratio and debt service coverage ratio are moderate. Interest coverage ratio (ICR) stood at 1.79 times for FY2024 (Prov) as against 1.54 times for FY2023. The Debt service coverage ratio (DSCR) stood at 1.19 times for FY2024 (Prov) as against 1.14 for FY2023. The total outside liabilities to tangible networth (TOL/TNW) stood at 1.96 times as on March 31st 2024 (Prov) as against 2.80 times as on March 31st 2023. Acuite believes that the improvement in the financial risk profile of the group going forward will remain a key rating sensitivity.

Weaknesses

Working capital intensive nature of operations

The operations of the group are working capital intensive in nature marked by Gross current asset (GCA) days of

291 days in FY2024 (Prov.) as against 311 days in FY23. High GCA days are on account of inventory cycle which stood at 245 days in FY24 (Prov.) and 271 days in FY23. Inventory levels tend to be higher across the industry as sugar productions starts in mid October and ends by mid April, the inventory levels are generally higher by March. Debtors days stood low at 20 days in FY24 (Prov.) as against 17 days in FY23 and 22 days in FY22. Further the creditor payback period stood at 121 days in FY24 (Prov.) as against 148 days in FY23 and 240 days in FY22. Working capital intensive nature of operations has led to moderate utilisation of its working capital limits with an average utilisation of 33 percent in SPSCPL and 77 percent in SDL over the past sixteen months ending July 2024.

Susceptibility to regulatory changes and inherent volatility in sugar prices

The sugar industry is susceptible to movements in sugarcane and sugar prices which results in volatile profitability. While the government policy of FRP/SAP for sugarcane has brought some amount of stability and predictability in input price, open market sugar price remains dependent on the demand-supply scenario. Besides, the government regulates domestic demand-supply through restrictions on imports and exports, sugar release orders and buffer stock limits. Government interventions will remain a driver for the profitability of sugar mills and continue as a key rating sensitivity factor.

Agro climatic risks and cyclical trends in the industry

Profitability of sugar mills will remain vulnerable to the agro-climatic risks related to cane production. Being an agricultural product, the sugarcane crop is dependent upon weather 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 revenue and profitability.

Rating Sensitivities

Positive

- Stabilisation of operations of new sugar plant under GSBPL
- Sustained improvement in operating income and sustenance of profitability.
- Ability to improve and maintain an efficient working capital cycle.

Negative

- Large debt funded capex
- Sharp drop in sugar and distillery realisations impacting profitability, including any movement driven by changes in government regulations.
- Any sharp decline in sugar prices, cane crushing volumes, recovery rate or an increase in cane costs.

Liquidity Position: Adequate

SPG's cash accruals improved from Rs.46.22 Cr. in FY2023 to Rs.63.27 Cr. in FY2024 (Prov). Its cash accruals are expected to be around Rs.81 Cr. to Rs. 92 Cr. against its expected repayment obligation of Rs.30 Cr. in each year. SPG's current ratio stood at 1.44 times as on March FY2024 (prov) and has a cash and bank balance of Rs. 37.10 Cr. as on 31st March 2024 (Prov). Group has been moderately utilizing its working capital limits with an average utilisation of 33 percent over the sixteen months in SPSCPL ending July 2024 and 77 percent in SDL over the past 16 months ending July 2024.

Acuité believes that the liquidity of SPG is likely to remain adequate over the medium term on account of sufficient liquid funds against its maturing debt obligations.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	1128.64	912.12
PAT	Rs. Cr.	35.54	18.66
PAT Margin	(%)	3.15	2.05
Total Debt/Tangible Net Worth	Times	1.15	1.72
PBDIT/Interest	Times	1.79	1.54

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

Care ratings, vide its press release dated May 10th, 2024 had denoted the rating of Siddapur distilleries Limited as CARE B+/ Stable/ A4 'Downgraded, Reaffirmed and Issuer not co-operating'

Infomercials Ratings, vide its press release dated September 12nd, 2024 had denoted the rating of Siddapur distilleries Limited as IVR BB/ Negative/ A4 'Downgraded and Issuer not co-operating'.

India Ratings, vide its press release dated December 27th, 2023 had denoted the rating of Siddapur Distilleries Limited as IND RA BB+/ Negative/ A4+ 'Reaffirmed and Issuer not co-operating'.

Brickwork, vide its press release dated June 10th, 2024 had denoted the rating of Siddapur Distilleries Limited as BWR C/A4 'Reaffirmed and Issuer not co-operating'.

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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.

Rating History :

Not applicable

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.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	27.50	Simple	ACUTE BBB- Stable Assigned
Shri Basaveshwar Sahakari Bank Niyamitha Bagalkot	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUTE BBB- Stable Assigned
Shri Prabhulingeshwar Souharda Pattina Sahakari Sangha Niyamit.,Jamakhandi.	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUTE BBB- Stable Assigned
Shri Prabhulingeshwar Souharda Pattina Sahakari Sangha Niyamit.,Jamakhandi.	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	40.00	Simple	ACUTE BBB- Stable Assigned
Vijayapur DCC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	24.50	Simple	ACUTE BBB- 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.	4.99	Simple	ACUTE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2026	0.36	Simple	ACUTE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Dec 2026	2.05	Simple	ACUTE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Feb 2025	0.28	Simple	ACUTE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	20 Nov 2030	30.92	Simple	ACUTE BBB- Stable Assigned
Jagruti Urban Credit Souhard Sahakari Niyamit	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	29 Sep 2025	1.77	Simple	ACUTE BBB- Stable Assigned
Jagruti Urban Credit Souhard Sahakari Niyamit	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Sep 2031	11.34	Simple	ACUTE BBB- Stable Assigned
Bagalkot District Central Co-Operative Bank Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	22 Sep 2028	21.13	Simple	ACUTE BBB- Stable Assigned
Bagalkot District Central Co-Operative Bank Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	05 Aug 2030	40.16	Simple	ACUTE BBB- Stable Assigned

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

Sr. No	Name of the companies
1	Shri Prabhulingeshwar Sugars and Chemicals Limited
2	Gudagunti Sugars And Bioenergies Private Limited
3	Siddapur Distilleries Limited

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Gnanreddy Rakesh Reddy Manager-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

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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