



**Press Release**  
**VITTHALRAO SHINDE SAHAKARI SAKHAR KARKHANA LIMITED**  
**January 08, 2025**  
**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Total Withdrawn Quantum (Rs.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**

Acuite has assigned the long-term rating at '**ACUITE BBB (read as ACUITE triple B)**' on the Rs.240.00 Cr. bank facilities of Vitthalrao Shinde Sahakari Sakhar Karkhana Limited (VSSSKL). The outlook is '**Stable**'.

**Rationale for rating assigned**

The rating assigned factors in the established track record of the company along with the extensive experience of the management in the sugar industry. The rating further takes into account the integrated nature of operations of the company marked with better revenue mix. Further, it also factors in the moderate financial risk profile of the company.

However, these strengths are partly offset by the intensive working capital operations of the company coupled with susceptibility to regulatory changes, inherent volatility in sugar prices, agro-climatic risks and the cyclical trends of the industry.

**About the Company**

Established in 2001, VSSSKL is a cooperative society owned by the sugarcane growers, based in Solapur, Maharashtra. The company holds a capacity of 17500 TCD for production of sugar, 50.5 MW for power generation and 300 KLPD for distillery operations. The manufacturing unit of the company are located at Pimpalner and Karkamb. The current directors of the company are Shri. Babanrao Vitthalrao Shinde and Mr. Santosh Nabhiraj Digraje.

**Unsupported Rating**

Not Applicable.

**Analytical Approach**

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

**Key Rating Drivers**

**Strengths**

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

The company has an extensive experience of more than two decades in the sugar industry and has wide acceptance among local farmers, facilitating adequate and timely cane procurement, ensuring an adequate crushing period which has helped the company improve its scale of operations over the years. While, the operating revenue of the company declined to Rs. 1,243.18 Cr. in FY24 compared to Rs. 1594.63 Cr. in FY23 on account of ban on export sales of sugar by the government of India (GOI), the operating profits of the company improved to 7.69 percent in

FY24 as against 5.99 percent in FY23.

Acuite believes that VSSSKL will continue to benefit from its established track record of operations and experience of its management team.

**Integrated nature of operations providing better revenue mix**

VSSSKL has integrated mix of production capacities, comprising an operational cane crushing capacity of 17,500 TCD, co-generation power plant with capacity of 50.5 MW and distillery with capacity of 300 KLPD. The company has recently increased its distillery capacity to 300 KLPD in FY24 from 150 KLPD in FY23. Also, the company's cogeneration plant and distillery has an adequate capacity to utilise all the bagasse's and molasses

through crushing operations thereby resulting in fully integrated operations.

While, the company's sugar revenue for FY24 stood at Rs. 580.32 crore, a decline from Rs. 1,017.59 crore in FY23, primarily due to the ban on sugar exports imposed by the GOI, this decline was partially offset by a rise in ethanol sales, which increased to Rs. 367.55 crore in FY24, compared to Rs. 283.04 crore in FY23. Furthermore, ethanol sales are expected to increase over the medium term, as the GOI has now removed the ban on the production of ethanol from syrup and B-heavy molasses starting from the ESY2024-25 crushing season.

Acuite believes that the company's scale of operations will continue to improve through the enhanced utilization of its existing capacity, supported by favourable government measures.

### **Moderate Financial risk profile**

The financial risk profile of the company remained moderate, marked by a healthy net worth, moderate gearing, and moderate debt protection metrics. The net worth of the company stood healthy at Rs.330.39 crore as on March 31, 2024 as against Rs.295.76 crore as on March 31, 2023. The increase in net worth is primarily due to the accretion of profits to the reserves. The company's gearing ratio rose to 1.76 times as of March 31, 2024, compared to 1.48 times on March 31, 2023. This increase was primarily due to higher working capital borrowings, driven by funds being tied up in inventory. The TOL/TNW stood at 3.58 times as on March 31, 2024 as against 3.06 times as on March 31, 2023. The debt protection metrics remained moderate with DSCR and Interest coverage ratio standing at 1.43 times and 2.47 times respectively as on 31st March 2024.

Acuite believes that the financial risk profile of the company shall continue to remain moderate with growing operations and steady cash accruals.

### **Weaknesses**

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

The company's working capital operations remain intensive, as indicated by GCA days of 322 days in FY2024, compared to 182 days in FY2023. The GCA days were primarily impacted by an increase in inventory days, which rose to 230 days in FY2024, up from 117 days in FY2023. This higher inventory level as of March 31, 2024, was a result of ban on ethanol production from syrup and B-heavy molasses, leading to an increase in sugar production. Further, the debtor's days of the company stood at 17 days in FY24 as compared to 15 days in FY23. The company receives advance payment from its dealers for the sale of sugar, whereas for ethanol and power sale it receives payment in ~20-25 days. The creditors days for the company stood at 46 days in FY24 as compared to 32 days in FY23.

Acuite believes that working capital operations of the company may continue to remain intensive considering the nature of business.

#### **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 Fair and Remunerative Price 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 this, the government also 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**

- Sustained improvement in operating income and profitability.
- Improvement in the working capital operations.
- Changes in government regulations

### **Liquidity Position**

#### **Adequate**

The liquidity position of VSSSKL is adequate marked with net cash accruals (NCA) of Rs.61.55 crore in FY24 as against maturing debt repayment obligations of Rs.30.30 crore in the same year. Further, it is expected that company will generate NCA in range of Rs.90-110 crore against the repayment obligations of around Rs.33-34 crore over the medium term. The current ratio of the company stood at 1.00 times in FY24. The average bank limit utilization for last 12 months ending September 2024 stood at 49 percent. Further, the company had cash and bank balance of Rs.9.70 crore as on March 31, 2024.

Acuite believes that the liquidity position of the company will continue to remain adequate on account of steady

cash accruals.

**Outlook : Stable**

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1243.18	1594.63
PAT	Rs. Cr.	19.96	19.54
PAT Margin	(%)	1.61	1.23
Total Debt/Tangible Net Worth	Times	1.76	1.48
PBDIT/Interest	Times	2.47	2.42

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

Care, vide its press release dated November 14th, 2024 had denoted the rating of Vitthalrao Shinde Sahakari Sakhar Karkhana Limited as Care B+/ Stable/ A4 'Downgraded, Reaffirmed and Issuer not co-operating'.

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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 :

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.	60.00	Simple	ACUITE BBB   Stable   Assigned
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	60.00	Simple	ACUITE BBB   Stable   Assigned
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	16.00	Simple	ACUITE BBB   Stable   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE BBB   Stable   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Working Capital Demand Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE BBB   Stable   Assigned
Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	24.00	Simple	ACUITE BBB   Stable   Assigned

## Contacts

Mohit Jain Senior Vice President-Rating Operations	<b>Contact details exclusively for investors and lenders</b>
Parth Patel Lead Analyst-Rating Operations	Mob: +91 8591310146 Email ID: <a href="mailto:analyticalsupport@acuite.in">analyticalsupport@acuite.in</a>

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.

**Note:** None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.