Indian Sucrose Limited

March 25, 2025

Ratings

Instrument / Facility	**Amount (Rs. crore)**	**Current Ratings**	**Previous Ratings**	**Rating Action**	**Complexity Indicator**
Long Term Bank Facility	150.00	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	IVR BB+/ Stable (IVR double B plus with Stable Outlook)	Rating upgraded	Simple
Long Term/ Short Term Bank Facility	50.00 (enhanced from Rs. 20.00 crore) (fully proposed)	IVR BBB-/ Stable/ IVR A3 (IVR triple B minus with Stable outlook and IVR A three)	IVR BB+/ Stable/ IVR A4+ (IVR double B plus with Stable outlook and IVR A four plus)	Rating upgraded	Simple
Total	**200.00 (INR two hundred crore only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics has upgraded the ratings assigned to the bank facilities of Indian Sucrose Limited (ISL) considering the strength from long track record of operation under experienced promoters, locational benefit due to proximity of catchment area and integration initiatives through power cogeneration to provide necessary cushion against cyclical sugar business, satisfactory scale of operations and moderation profitability during FY24 (FY24 refers to the period from April 1,2023 to March 31, 2024) and comfortable capital structure and adequate debt coverage indicators. However, these rating strengths continue to remain constrained high working capital intensity on year-end sugar holdings, exposure to agro-climatic risks and cyclical trends in sugar business and vulnerability of profitability to volatility in sugar realisations and cane procurement costs and exposure to risk related to government regulations.

The long-term rating outlook is Stable as the company will benefit from the extensive experience of the promoters in sugar industry and steady business performance of the company led by expected satisfactory sugar production.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in scale of operations with improvement in profitability.
- Improvement in the capital structure with improvement in the debt protection metrics.
- Improvement in liquidity marked by improvement in the operating cycle.

Downward Factors

- Moderation in the scale of operation and/or moderation in profitability on a sustained basis.
- Elongation in the operating cycle impacting liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters in the sugar industry, long track of operations

The promoters of ISL have around two-decade-long experience in the sugar industry. Long standing presence in the industry has helped them to build established relationships with both customers and suppliers.

Location benefits on account of proximity of the catchment area to perennial Beas River

The company procures the required cane from around Mukerian, Hoshiarpur, Punjab. The catchment area remains contiguous with the sub-Himalayan terrain of Himachal Pradesh wherein the mountain streams deposit alluvial soil and the Pong dam (Beas River) command area ensuring adequate ground water table levels favoring the cane production. Strategic location has reflected in adequate sugar recovery rate at ~9.94% in FY2024.

Integration initiatives through power cogeneration provides necessary cushion against cyclical sugar business

The company's sugar operations are forward integrated into power cogeneration operations. While the by-products provide an alternative source of revenue, they also cushion the company's profitability against the inherent cyclicality in the sugar business. In FY2024, ISL derived 88.62% of its revenues from sugar operations while 4.57% revenue was garnered from power cogen businesses, respectively. As against almost same level 87.24% revenues from its sugar business while power units drove 2.62% of its revenues, respectively, in FY2023 (FY23 refers to the period from April 1,2022 to March 31, 2023).

Satisfactory scale of operations and moderation profitability during FY24

The total operating income of the company has witnessed a y-o-y growth of ~17% and increased to Rs. 528.62 crore in FY2024 from ~Rs.451.77 crore in FY2023 mainly due to the increase in the realisation value of sugar along with the increase in volume led by the increased demand, with the change in government regulations and growth in revenue can also be attributed to the doubling of sales from electricity on account of optimal utilization of enhanced cogen capacity resulting into higher number of units generated. Owing to the higher FRP (Fair and remunerative price) of sugar the EBITDA margin of the company has decline to 13.04 % in FY2024 as compared to 14.34% in FY2023. The PAT margin of the also decline to 6.04% in FY2024 as compared to 6.49% FY2023. Further in 9MFY25 (9MFY25 refers to the period from April 1,2024 to December 31, 2024), TOI declined to Rs. 233.23 crore from Rs. 267.75 crore by 12.89% y-o-y but the company has managed to maintain stable profitability due to better realisation in 9MFY25, EBITDA and PAT increased by 0.85% and 264.62% y-o-y to Rs. 29.58 crore and Rs. 2.37 crore.

Comfortable capital structure and adequate debt coverage indicators

The capital structure of the company had remained comfortable over the years with its satisfactory net worth base of Rs.214.34 crore supported by accretion of profits as on March 31, 2024. Further, the adjusted tangible net worth (ATNW) stood at Rs.127.01 crore (considering the Investments in group companies of Rs.0.10 crore, loans and advance given to related parties of Rs.77.40 cr. and long pending debtors of Rs. 9.84 cr). The Overall gearing stood at 1.64x as on March 31, 2024, as compared to 1.75x as on March 31, 2023. Long term debt to equity has also improved and stood at 0.35x as on March 31, 2024, as compared to 0.43x as on March 31, 2023. Overall indebtedness of the company marked by TOL/TNW has stood at 2.95x as on March 31, 2024, against 3.13x as on March 31, 2023. Debt protection metrics of the company also remain comfortable as on March 31, 2024. The coverage indicators have also shown satisfactory due to the increase in absolute operating profit, interest coverage remains adequate at 2.56x in FY24 (2.60x in FY2023). DSCR remained at 2.00x in FY2024(1.66 in FY2023). Total Debt/EBIDTA stood at 3.03 times in FY2024 and remained comfortable.

Key Rating Weaknesses

High working capital intensity on year-end sugar holdings

The company's operations remain working capital intensive inherent to the sugar industry depicted by its elongated operating cycle over the years propelled by year-end inventory build-up. The inventory consists largely of sugar stocks which are liquidated especially in the first half of a given fiscal.

Exposure to agro-climatic risks and cyclical trends in sugar business

Cane production remains a function of agro-climatic conditions, which ultimately impacts the volumes and realisations of sugar and its by-products. Lower than expected rainfall in the firm's catchment area can result in restricted cane availability, thus impacting the crushing volumes for the season. Further, the sugar business remains vulnerable to any unfavourable changes in Government policies related to sugar trade.

Vulnerability of profitability to volatility in sugar realisations and cane procurement costs and exposure to risk related to government regulations

Typically, the profitability of sugar entities remains driven by sugar realisations and cane procurement costs. Whereas sugar realisations remain mainly market driven, the state governments fix the minimum support price for cane. Any adverse movements in the same impact the contribution margins and, hence, profitability of the sugar mills. Further, Government intervention also exists to control the sugar prices to curb food inflation and stabilize the sugar prices in the domestic market.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.]

[Financial Ratios & Interpretation (Non-Financial Sector)](#)

[Criteria of assigning rating outlook](#)

[Policy on default recognition](#)

[Complexity level of rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity of the company is expected to remain adequate marked by its expected healthy gross cash accruals vis-à-vis its debt repayment obligations in the projected tenure. The company has earned a gross cash accrual of Rs.50.85 crore in FY24. Further, the company has projected to earn sufficient cash accruals in the range of ~Rs. 47.00 crore and Rs. 53.00 crore in comparison to its debt repayment obligation of Rs 2.00 crore to Rs 14.30 crore in the projected period of FY25 to FY27. Moreover, the average fund-based limit utilization of the company remained moderate at ~87% indicating a limited liquidity buffer.

About the Company

Indian Sucrose Limited (ISL) was originally promoted by Oswal Group as Oswal Sugars Limited in 1989 and the unit was set up in 1990-91 at G. T. Road, Mukerian, District Hoshiarpur, Punjab and is engaged in the manufacturing of White Crystal Sugar and also has a 59.50 MW power cogeneration plant. In 2000, Yadu Corporation took over the control of the company at that time it was a lossmaking unit. It was a small company then with 2500 TCD, the unit was taken over for revival. The management gradually increased the capacity gradually from 2500 TCD to 5000 TCD and to 9000 TCD. The unit gradually moved from loss making to profit making.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024	9MFY24	9MFY25
	Audited	Audited	Unaudited	Unaudited
Total Operating Income	451.77	528.62	267.75	233.23
EBITDA	64.80	68.93	29.33	29.58
PAT	30.01	32.74	0.65	2.37
Total Debt	223.16	208.66	-	-
Adjusted Tangible Net Worth	127.52	127.01	-	-
EBITDA Margin (%)	14.34	13.04	10.95	12.68

PAT Margin (%)	6.49	6.04	0.24	1.02
Adjusted Overall Gearing Ratio (x)	1.75	1.64	-	-
Interest Coverage (x)	3.13	2.95	1.48	1.57

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA:

Care Ratings Limited has maintained the ratings under Issuer Not Cooperating category on account of non-receipt of information despite repeated request to provide information for monitoring the ratings via press release dated November 8, 2024.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years				
		Type (Long Term/ Short Term)	**Amount outstanding (Rs. Crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2023-24**			**Date(s) & Rating(s) assigned in 2022-23**	**Date(s) & Rating(s) assigned in 2021-22**
					(February 23, 2024)	(October 9, 2023)	(July 19, 2023)	(June 10, 2022)	(December 02, 2021)
1.	Cash Credit	Long Term	150.00	IVR BBB-/ Stable	IVR BB+/ Stable	Revised to IVR D and simultaneously upgraded to IVR B/ Stable	IVR BB+/ Negative ISSUER NOT COOPERATING*	IVR BBB-/ Stable	IVR BB+/ Positive
2.	Proposed Fund Based/ Non-Fund Based	Long Term/ Short Term	50.00	IVR BBB-/ Stable/ IVR A3	IVR BB+/ Stable/ IVR A4+	Revised to IVR D and simultaneously upgraded to IVR B/ Stable/ IVR A4	IVR BB+/ Negative/ IVR A4+ ISSUER NOT COOPERATING*	IVR BBB-/ Stable/ IVR A3	IVR BB+/ Positive / IVR A4+

**Issuer did not cooperate; based on best available information*

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	150.00	IVR BBB-/ Stable
Proposed Fund Based/ Non-Fund Based	-	-	-	-	50.00	IVR BBB-/ Stable/ IVR A3

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/Len-Indian-Sucrose-25mar25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com