



Press Release

Shraddha Energy & Infraprojects Private Limited

May 06, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator (Simple/ Complex/ Highly complex)
Long Term Bank Facilities	153.23 (reduced from 178.20)	IVR BB/Stable (IVR Double B with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	30.00	IVR A4 (IVR A Four)	Reaffirmed	Simple
Proposed Long Term Bank Facilities	29.43	IVR BB/Stable (IVR Double B with Stable Outlook)	Reaffirmed	Simple
Total	212.66 (Rupees two hundred and twelve crores and sixty six lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings for the bank facilities of Shraddha Energy & Infraprojects Private Limited continue to derive strength from experienced promoters in infrastructure & sugar business, diversified revenue streams and moderate scale of operations and capital structure. However, the rating strengths continue to be partially offset due to modest coverage metrics, susceptibility of profitability to volatility in material prices, stringent government regulations on sugar pricing, working capital intensive operations and risk associated with the new ethanol project.



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Key Rating Sensitivities:

Upward rating factor

- Sustained scale up in revenue to more than Rs. 700 crores with sustenance of operating profitability at or above 15%
- Sustenance of operating cycle for 80-100 days.

Downward rating factor

- Sustained de-growth in revenue and decline in operating margin below 10%.
- Stabilization of ethanol plant operations and generation of revenues as envisaged

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Experienced promoters in infrastructure & sugar business

SEIPL, promoted by Mr. Shivaji Bhagwanrao Jadhav in 1986, is the flagship company of Shraddha group. The company is engaged in the business of sugar manufacturing, co-generation from Sugar Unit. It also undertakes construction work related to dams, barrages, lift irrigation, etc. The company has a power generation capacity of 12MW through wind energy.

Diversified revenue streams

SEIPL operates across three segments viz. sugar, construction and renewable power (windmill). The diversified cash flows from these segments shield the company from any risk arising out of any industry specific developments.

During FY23, the company earned almost 77% of their revenues from sale of sugars, by-products and rest 23% revenue came from contract receipts, sale of electricity, etc.

Moderate Scale of Operations and capital structure

SEIPL has a moderate scale of operations as reflected by a total income of Rs 407.59 crore in FY23 which was similar to level in FY22 at Rs 414.99 crore in FY22 on account of reduction in revenue from sugar business due to industry dynamics. The company has clocked Rs. 28.91 crore PAT in FY23 which was lower than FY22 PAT (Rs. 39.44 crore). The profitability ratios have increased compared to the previous year includes EBITDA margin at 17.62% in



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FY23 (14.48% in FY22) and PAT margin at 7.09% in FY23 (9.50% in FY22). Overall gearing ratio has improved from 0.86x as on March 31, 2022, to 0.49x as on March 31, 2023. TON/TNW has improved from 1.23x as on March 31, 2022, to 0.93x as on March 31, 2023.

Key Rating Weaknesses

Modest Coverage Metrics

The coverage metrics of the company as reflected by the interest coverage & DSCR stand modest at 2.65X & 1.03X respectively in FY23 improving from 1.65X & 0.97X in FY22 on account of scheduled repayment of debt obligations of the company.

Susceptibility of profitability to volatility in material prices

Sugarcane and the other by products manufactured by the company remain extremely sensitive to fluctuations in commodity prices thereby impacting the overall revenue and profitability profile of the company. Cane production is highly dependent on the monsoons and realizations in alternative crops such as rice and wheat, which may prompt farmers to switch to sowing other crops. However, for SEIPL, revenue from other segments supports the overall operating profitability.

Stringent government regulations on sugar pricing

The government has very strict rules and regulations about how much sugar can be sold, usually to control prices and protect consumers. Any decision taken by the government may directly affect sugar mill owners, e.g. restriction on sugar export, etc.

Working capital intensive operations

Since sugar is an agro-based commodity (with sugarcane crushed mainly during November to April). Hence, the sugar inventory is piled up during the crushing season and gradually released till the commencement of the next crushing season, resulting into high inventory carrying cost and requirement of higher working capital. The operating cycle of the company improved but continues to remain elongated at 99 days in FY23 from 111 days in FY22.

Risk associated with the new ethanol project.

The company has proposed to set up ethanol project at Partur, Jalna, Maharashtra with capacity of 350 KLPD distillery along with 9 MW co-generation unit. The cost is estimated at Rs. 257.08 cr which is proposed to be financed by debt of Rs. 161 cr and internal accruals of Rs. 96.08 Cr. The debt has been tied up. The project is proposed to be completed by September 2024. Timely completion of the project within envisaged cost will be important.



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Going forward the company's ability to generate revenues from the said project as envisaged will also be key monitorable.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of Rating Outlook | Infomerics Ratings](#)

[Criteria of Default Recognition](#)

Liquidity –Adequate

The liquidity position of the company has remained adequate in FY23 as marked by its gross cash accrual (GCA) of Rs. 47.23 crore in FY23 as against its debt repayment of that year. The average utilization of the company stands at 53.63% for a period of Feb 23 to Jan 24 providing sufficient liquidity cushion. The current ratio remains moderate at 1.06X as on March 31, 2023.

About the company:

Shraddha Energy and Infraprojects Private Limited (SEIPL) was incorporated on December 15, 2004. The company is based out of Pune, Maharashtra and involved diverse activities viz. construction of infrastructure projects, operating of sugar mill and windmill projects. The company has class 1 registration with multiple state public works departments and state irrigation departments/corporations. It has a sugar factory in Partur, Maharashtra with capacity of 2500 TCD. Apart from this, SEIPL has installed wind turbine generators at two sites one each in Maharashtra and Karnataka, with a total capacity of 52 MW.



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Financials (Standalone):

(Rs. Crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	376.39	396.44
EBITDA	54.50	69.84
PAT	39.44	28.91
Total Debt	311.72	191.39
Tangible Net worth	364.20	393.12
Ratios		
EBITDA Margin (%)	14.48	17.62
PAT Margin (%)	9.50	7.09
Overall Gearing Ratio (x)	0.86	0.49

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: CARE ratings in its press Release dated on March 01, 2023, has classified the case under Issuer Not Cooperating status on account of non-submission of relevant information.

ICRA ratings in its press Release dated on April 26, 2024, has classified the case under Issuer Not Cooperating status on account of non-submission of relevant information.

Any other information: Nil

Rating History for last three years:

Sr . N o.	Name of Instrument/Fa cilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstand ing (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
1.	Cash Credit	Long Term	40.00	IVR BB/Stable (IVR Double B with Stable outlook)		IVR BB/Stable (IVR Double B with Stable outlook)	
2.	Property Overdraft	Long Term	20.00	IVR BB/Stable (IVR Double B with		IVR BB/Stable (IVR Double B	



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	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
				Stable outlook)		with Stable outlook)	
3.	Term Loan	Long Term	93.23	IVR BB/Stable (IVR Double B with Stable outlook)		IVR BB/Stable (IVR Double B with Stable outlook)	
4.	Bank Guarantee	Short Term	30.00	IVR A4 (IVR A Four)		IVR A4 (IVR A Four)	
5.	Proposed	Long Term	29.43	IVR BB/Stable (IVR Double B with Stable outlook)		-	

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) 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).

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	40.00	IVR BB/Stable (IVR Double B with Stable outlook)
Property OD	-	-	-	20.00	IVR BB/Stable (IVR Double B with Stable outlook)
Term Loan	-	-	-	93.23 (reduced from 178.20)	IVR BB/Stable (IVR Double B with Stable outlook)
Bank Guarantee	-	-	-	30.00	IVR A4 (IVR A Four)
Proposed	-	-	-	29.43	IVR BB/Stable (IVR Double B with Stable outlook)



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Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Shraddha-Energy-may24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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

