



## Press Release

### Sir Shadi Lal Enterprises Limited

June 24, 2024

#### Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	<a href="#">Complexity Indicator</a>
1.	Long Term Bank Facility	97.76	IVR B+/Stable (IVR Single B Plus with Stable)	IVR B+/RWDI (IVR Single B Plus with Rating Watch with Developing Implications)	Reaffirmed and removed from RWDI and assigned Stable Outlook	Simple
<b>Total</b>		<b>97.76</b>	<b>Rupees Ninety Seven Crore and Seventy Six Lakhs Only</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed of the long-term rating at IVR B+ and assigned a stable outlook for the bank loan facilities of Sir Shadi Lal Enterprises Limited (SSLEL).

The resolution of Rating Watch with Developing Implication (RWDI) and assignment of Stable Outlook reflects on account of acquisition of 61.77% shareholding by Triveni Engineering and Industries Limited (TEIL) from the promoters of Sir Shadi Lal Enterprises Limited (SSLEL).

The rating continues to draw comfort from its experienced promoters and management, locational advantage. However, these rating strengths are partially offset by decline in scale of operations, negative tangible net worth with weak debt protection metrics, agro climatic factors, regulatory risks, cyclical nature of the sugar business.

IVR has principally relied on the audited financial results of SSLEL's up to 31 March 2024 (refer to period from April 01, 2023 to March 31, 2024) and publicly available information/clarifications provided by the company's management.

#### Upward Factors

- Substantial & sustained improvement in the company's revenue and/or profitability while steady repayment of long-term debt to reduce the leverage and improve/ the capital structure.



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### **Downward Factors**

- Any decline in scale of operations and/or profitability leading to sustained deterioration of liquidity and/or debt protection parameters.
- Increase in long-term debt leading to deterioration in capital structure.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters and management:**

The company have established presence in the industry since 1933. The directors are well qualified and have extensive experience in the business. The top management is also experienced and are from diverse backgrounds. The company has also built strong relationships with the customers as well as the suppliers.

##### **Locational advantage:**

The manufacturing plant for the company is located in Shamli, Uttar Pradesh. Uttar Pradesh is the leading sugar and sugarcane producing state in India.

#### **Key Rating Weaknesses**

##### **Decline in scale of operations:**

The total operating income has declined from Rs.552.39 crore in FY2023 to Rs.482.15 crore in FY2024 due to fluctuation in raw material prices which resulted in slower production of the product. EBITDA has increased from Rs.-10.01 crore in FY2023 to Rs.4.75 crore in FY2024. The company has incurred losses in 3 of the last 4 years. The Absolute net losses has decreased from Rs. -29.62 crore in FY2023 to Rs. -9.19 crore in FY2024.

##### **Negative Tangible net worth with weak debt protection metrics:**

Tangible net worth has decreased from Rs. -224.40 crore in FY23 to Rs. -233.15 crore in FY24 due to accumulated losses. In terms of the debt protection metrics, the interest service coverage ratio (ISCR) improved to 1.09x in FY2024 as compared to -1.10x in FY2023, and the debt service coverage ratio (DSCR) also improved to 0.22 in FY2024 as compared to -0.32x in FY2023.

##### **Agro Climatic factors:**

Sugarcane is the key input into the business. Sugarcane is a kharif crop, the production of which depends on good monsoons. Any adversity on the timely and adequacy of rainfall, given the highly uneven pattern of rainfall observed in the past few years, would drastically affect the availability and price of sugarcane, thereby affecting profitability of the business.

##### **Regulatory Risks:**



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The industry is highly regulated with inability to pass increased costs to buyers and lack of control over input prices. Profitability remains vulnerable to government regulations on input prices, finished goods prices via domestic sale quota, import and export restrictions, pricing of power produced etc. The company is exposed to regulatory risks and commodity price risks due to its nature of operations. Adverse price movement of input raw cane and finished products due to regulatory guidelines without adequate compensation, would impact operating margins of the company and affect its debt servicing capability. Further, payment of cane prices is subject to political guidelines, whereas recovery of sale revenues would be market linked. This is likely to cause liquidity mismatches in the business operations of the company.

### **Cyclical nature of the sugar business:**

The key parameters of the sugar supply in the domestic market for a given sugar season is typically controlled by factor like domestic sugar production, opening sugar stock levels and global sugar production and sugar imports. The industry is highly cyclical in nature because of variations in the sugarcane production in the country with typical sugar cycles lasting three five years, as production adjusts to the fall in prices, which in turn leads to lower supplies, price increase and higher production.

**Analytical Approach:** For arriving at the ratings, IVR has analysed SSLEL's credit profile by considering the standalone financial statements of the company.

### **Applicable Criteria:**

- [Rating Methodology for Manufacturing Companies.](#)
- [Financial Ratios & Interpretation \(Non-Financial Sector\).](#)
- [Criteria for assigning Rating outlook.](#)
- [Policy on Default Recognition](#)
- [Complexity Level of Rated Instruments/Facilities](#)

### **Liquidity – Stretched**

The company has a Current Ratio of 0.26x as of March 31, 2024. The company is expected to generate sufficient cash accruals against its debt obligation repayments in projected period. However, in the short term, the company is expected to generate positive cash accruals, but liquidity is marked stretched with insufficient cushion available to meet its debt obligation. The debt obligations are expected to be met through funding support from promoters. The company has cash and cash equivalents amounting to Rs. 4.62 crore as on March 31, 2024. All these factors reflect stretched liquidity position of the company.

### **About the Company**

Sir Shadi Lal Enterprises Limited was established as a Corporate Body in the year 1933 under the name "The Upper Doab Sugar Mills Limited" by the Rt. Hon'ble Sir ShadiLal.



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The name of company was changed to Sir Shadilal Enterprises Limited in the year 1982. At present the Company has two manufacturing units comprising of one sugar unit namely Upper Doab Sugar Mills, Shamli, District - Shamli, Uttar Pradesh - 247776 and one distillery unit Shamli Distillery & Chemical Works, Shamli, District - Shamli, Uttar Pradesh – 247776. The vision of the company is to establish an integrated sugar complex that would include the manufacture of sugar, industrial & potable alcohol, ethanol, co-generation facilities and other related products. The Company is member of the various sugar association, distillery associations and other associations relevant to their operations.

### Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2023	FY2024
	Audited	Audited
Total Operating Income	552.39	482.15
EBITDA	-10.01	4.75
PAT	-29.62	-9.19
Total Debt	88.52	55.14
Tangible Net worth	-224.40	-233.15
EBITDA Margin (%)	-1.81	0.99
PAT Margin (%)	-5.36	-1.90
Overall Gearing Ratio (x)	-0.25	-0.08
Interest Coverage Ratio (x)	-1.10	1.09

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA:** Brickwork and CRISIL vide press release dated January 23, 2024, and May 31, 2023, respectively, has continued to classify the case under Issuer Not Cooperating category on account of non-submission of relevant information.

**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	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (February 07, 2024)	&	Date(s) & Rating(s) assigned in 2023-24 (October 19, 2023)	&	Date(s) & Rating(s) assigned in 2021-22 (September 30, 2022)	



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1.	Fund Based	Long Term	97.76	IVR B+/Stable	IVR B+/RWDI	IVR B+/Stable	IVR B+/Stable	

### Name and Contact Details of the Rating Analyst:

Name: Mr. Om Prakash Jain

Tel: (011) 45579024

Email: [opjain@infomerics.com](mailto:opjain@infomerics.com)

### 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).

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 visit [www.infomerics.com](http://www.infomerics.com).

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information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Term Loan	-	-	December 2028	12.42	IVR B+/ Stable
Long Term Bank Facility – Term Loan – Proposed	-	-	-	27.00	IVR B+/ Stable
Long Term Bank Facility – Term Loan	-	-	March 2026	7.04	IVR B+/ Stable
Long Term Bank Facility – Soft Loan	-	-	June 2024	12.00	IVR B+/ Stable
Long Term Bank Facility – Term Loan	-	-	March 2026	13.30	IVR B+/ Stable
Long Term Bank Facilities – Cash Credit- Proposed	-	-	-	10.00	IVR B+/ Stable
Long Term Bank Facilities – Cash Credit	-	-	-	16.00	IVR B+/ Stable



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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-shadilal-june24.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 [Complexity Level of Rated Instruments/Facilities](#).