Swaraj Green Power and Fuel Limited

July 02, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Instruments/Facilities	788.50 (Enhanced from Rs. 688.50 crore)	IVR BBB/Stable [IVR Triple B with stable outlook]	IVR BBB/Stable [IVR Triple B with stable outlook]	Reaffirmed/Assigned	Simple
Short Term Instruments/Facilities	10.00	IVR A3+ [IVR A Three Plus]	IVR A3+ [IVR A Three Plus]	Reaffirmed	Simple
Total	**798.50**	**[Seven hundred ninety-eight crore and fifty lakhs 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 Ratings has reaffirmed its rating assigned to the bank facilities for long term facilities to IVR BBB with Stable outlook and IVR A3+ to the short-term facilities of Swaraj Green Power and Fuel Limited (SGPFL). Infomerics has also assigned the rating of IVR BBB with stable outlook for the long-term enhanced facilities of Swaraj Green Power and Fuel Limited.

The rating continues to draw comfort from extensive experience of the promoters in the sugar industry along with healthy operating performance. The ratings further draw comfort from completion of ethanol project within budgeted cost coupled with favourable regulatory framework for ethanol manufacturers. However, these rating strengths are partially offset by leveraged capital structure, exposure to vagaries of nature and working capital intensive nature of operations along with exposure to risk related to Government regulations and cyclical nature of the sugar business**.**

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. Infomerics ratings believes that SGPFL will continue to benefit on account of stable outlook for sugar industry. Further the ethanol capex has been completed and company has started production of ethanol which has a healthy demand potential on account of Govt focus on blending it with Petrol.

Infomerics Ratings has principally relied on the standalone provisional financial results of SGPFL up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Improvement in cane crushing levels and recovery rate and consequent improvement in profitability.
- Sustained interest coverage ratio above 3 times along with overall improvement in financial risk profile.

Downward Factors

- Decline in the cane crushing volumes or recovery rate or an increase in the cane prices resulting in deterioration of profitability and debt coverage metrics.
- Any unplanned capex leads to moderation in the capital structure.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of the promoters in the sugar industry**

The promoters have been engaged in the sugar business for several decades; the commercial operations were started in the year 2014-15, with capacity of 2000 Tonnes Crushed per Day (TCD) and distillery unit of 60 KLPD. Over the time, the company has increased its installed capacity to 5000 TCD and distillery unit with capacity of 500 KLPD.

- **Healthy operating performance**

The total operating income of the company has grown at (CAGR) of 33.19% during the past three years ended as on March 31, 2024, further y-o-y the TOI of the company declined by 15.08% and stood at Rs. 750.19 crore in FY24 compared to Rs. 883.38 crore in FY23 on account of decline in trading of sugar. During FY24, the company has completed its ethanol capacity expansion project and is more focusing on increasing the manufacturing activities therefore the trading revenue has declined. The company reported EBITDA of Rs. 116.43 crore as per FY24(Provisional) compared to Rs. 82.69 crore in FY23. The PAT stood at Rs.

33.58 crore in FY24 (Provisional) compared to Rs. 21.14 crore in FY23. The GCA of the company stood at Rs. 85.37 crore in FY24 (Provisional) improved from Rs. 51.28 crore in FY23. Despite decline in top line, EBITDA margin of the company has improved significantly by 616 bps and stood at 15.52% in FY24 (Provisional) compared to Rs. 9.36% in FY23 on account of increase in average sales realization on sugar and ethanol manufactured by the company along with higher margin on traded goods. Further the increase in recovery of sugar from 7.91% in FY23 to 8.49% in FY24 also boosted the operating margins.

- **Favourable policy framework**

The Government of India (GoI) has been supporting the sugar industry through various measures such as continuation of MSP, soft loans for clearing cane dues, interest subvention loans for ethanol capacity creation and expansion and remunerative prices for ethanol, resulting in improved domestic demand-supply balance. Additionally, the GoI has preponed the ethanol blending programme timeline to 2025 from 2030 for 20% mandatory blending of ethanol with petrol. All these measures of GoI have been positive for the sugar industry.

Key Rating Weaknesses

- **Leveraged capital structure**

The tangible net worth of the company stood at Rs. 159.40 crore as on March 31, 2024, improved from Rs. 125.81 crore as on March 31, 2023, on account of improvement in profitability. The total debt stood at Rs. 836.43 crore as on March 31, 2024, increased from Rs. 682.73 crore as on March 31, 2023, on account of increase in term liability along with higher utilization of working capital bank borrowings as on balance-sheet date. Increase in term loan pertains to the ethanol capacity expansion project undertaken by the company, which was completed in November 2023. The capital structure of the company continued to remain moderate marked by overall gearing at 5.25x as on March 31, 2024, improved from 5.43x as on March 31, 2023, mainly due to accretion of profits to general reserve. Further, total indebtedness of the firm as reflected by TOL/TNW also improved although continued to remain moderate at 6.34x as on March 31, 2024, as compared to 6.48x as on March 31, 2023, on account of improvement in TNW along with decline in creditor. The debt protection metrics of the company marked by Interest coverage ratio at 2.89 times in FY24 improved from 2.56 times in FY23 on account of increase in profitability. The DSCR of the company has also improved to 1.41x in FY24 from 0.98x in FY23. Total debt to GCA stood at 9.80x as on March 31, 2024, improved from 13.31x as on March 31, 2023, on account of improvement in GCA.

- **Exposed to vagaries of nature and working capital intensive nature of operations**

Being an agro-based industry, performance of the company is dependent on the availability of sugarcane crop and its yield, which may get adversely affected due to adverse weather conditions. Climatic conditions, precisely monsoons influence various operational structures for a sugar entity, such as the crushing period and sugar recovery levels. Further the operations in sugar and ethanol sector remains working capital intensive. The working capital cycle of the company is elongated and stood at 239 days largely driven by high inventory of around 203 days, because of seasonal nature of business (crop season from October to April) and hence there is a peak build-up of sugar inventories at the fiscal end for sale next year, resulting in peak working capital requirements.

- **Exposure to risk related to Government regulations**

The Sugar industry is highly exposed to risks related to Government regulations. Various Government Acts governs primarily all aspects of the business, which include the availability and pricing of sugarcane, sugar trade and by - product pricing. The procurement of sugarcane by the sugar entities is governed by the Sugarcane (Control) Order, 1966, which stipulates that the mills need to source their sugarcane only from the command area allocated to them. The order also makes it mandatory for the sugar mill to necessarily uplift the entire sugarcane production of the farmer, irrespective of the market demand, which has a considerable impact on the inventory holding pattern. Further, Government intervention also exists to control the sugar prices to curb food inflation and stabilize the sugar prices in the domestic market.

- **Cyclical nature of the sugar business**

The key parameters of the sugar supply in the domestic market for a given sugar season are 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.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity position of the company is adequate, marked by its sufficient cash accruals as against its repayment obligations. The Company's average fund based working capital limit utilization stood moderate at 81.89% for the last 12 months ended May 2024 indicate adequate buffer in its working capital limits. Further, the company had free cash and cash equivalents to the tune of Rs.14.35 crore and Rs. 4.95 crore as on March 31, 2024, and March 31, 2023, respectively, which is expected to support the liquidity profile of the company in the near to medium term. The current ratio of the company stood moderate at 1.27x as on March 31, 2024. Further, the company expects sufficient cushion in cash accruals against its debt repayments. The company is expecting GCA in the range of Rs. 173.17 Cr. - Rs. 227.31 Cr. during FY25-27 against debt repayment of Rs. 96.60 Cr.- 73.93 Cr. in FY25-27. The Working Capital Cycle of the company stood at 239 days in FY24 days which was 174 days in FY23.

About the Company

Swaraj Green Power & Fuel Ltd. (SGPFL) (erstwhile known as Swaraj India Agro Ltd) was incorporated in 2010 by Mr. Ranjeet Singh Naik Nimbalkar. The company is engaged in business of sugar manufacturing along with allied products. The factory is fully integrated in nature which comprises of installed sugar crushing capacity of 5000 TCD, cogeneration unit of 23 MW and distillery unit of 500 KLPD. The fully integrated plant of the company is located in Phaltan Taluka of Satara District of Maharashtra state. The entire integrated unit is spread over 87.50 Acres of Land in Phaltan, Satara.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	883.38	750.19

EBITDA	82.69	116.43
PAT	21.14	33.58
Total Debt	682.73	836.43
Tangible Net Worth	125.81	159.40
EBITDA Margin (%)	9.36	15.52
PAT Margin (%)	2.36	4.39
Overall Gearing Ratio (x)	5.43	5.25
Interest Coverage (x)	2.56	2.89

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Vide press release dated March 18, 2024, Brickwork Ratings Limited have kept the ratings under non-cooperation category on account of non-submission of relevant information.

Any other information:

Rating History for last three years:

Sr. No.	Name of Security/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 in 2021-22**
					Date (May 08, 2023)	**Date**	**Date** (Feb 22, 2022)
1.	Fund Based Bank Facilities	Long Term	788.50	IVR BBB/Stable	IVR BBB/Stable	-	IVR BBB/Stable
2.	Non-Fund Based Bank Facilities	Short Term	10.00	IVR A3+	IVR A3+	-	IVR A3+

Analytical Contacts:

Name: Vipin Jindal

Tel: (011) 45579024

Email: vipin.jindal@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).

Press Release

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/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loans	-	-	-	March 2030	398.94	IVR BBB/Stable
GECL Loans	-	-	-	Sept, 2027	49.62	IVR BBB/Stable
Proposed TL*	-	-	-	-	26.04	IVR BBB/Stable
Cash Credit	-	-	-	-	313.90	IVR BBB/Stable
Bank Guarantee	-	-	-	-	10.00	IVR A3+

**No Maturity as it is not sanctioned yet*

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-SwarajGreen-july24.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.