



## Press Release

**Indian Sucrose Ltd**  
**October 06, 2020**

### Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1	Bank Facilities- Fund Based	150.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
2	Proposed Bank Facilities- Short Term/ Long Term	25.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook), IVR A4+ (IVR A four Plus)	Assigned
	<b>Total</b>	<b>175.00</b>		

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The rating assigned to the bank facilities of Indian Sucrose Limited derives comfort from its experienced promoters, proximity to raw material suppliers & key markets and establish relationship with cane growers and moderate recovery rate, diversified product portfolio, improvement in profitability metrics. However, the rating strengths are partially offset by Moderate capital structure and debt protection metrics, volatile operating margin and exposure to risk related to government regulations, exposed to vagaries of nature and cyclical nature of the sugar business.

### Key Rating Sensitivities

#### Upward Factors:

- Improvement in scale of operations and profitability metrics thereby leading to overall improvement in cash accruals and debt protection parameters
- Sustenance of capital structure and improvement in operating cycle



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### **Downward Factors:**

- More than expected dip in operating income and/or profitability impacting the debt coverage indicators and subdued industry scenario affecting the sugar price and offtake
- Deterioration in operating cycle impacting the liquidity  
Negative government regulations

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

#### **Key Rating Strengths**

##### **Experienced promoters**

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. The Company is likely to benefit from the extensive experience of its promoters over the medium term.

##### **Proximity to raw material suppliers & key markets and establish relationship with cane growers and moderate recovery rate**

The nature of the relationship, which a sugar entity shares with the farming community in the command area, is a key measure of its operational strength. All the sugar mills have their own independent command area for procurement of sugarcane. ISL operates in a command area of 15 kilometer of district Mukerian, Hosiarpur, Punjab. ISL 's sugar season starts during November, which usually gets over by March. As mandated by the state government, the firm has to harvest entire sugar cane in its command area during the sugar season.

##### **Diversified product portfolio**

ISL is involved in manufacturing of sugar with the capacity of 9000 TCD, with co-generation of 12 MW of power (out of which 7-8 MW are for captive consumption and rest are sold to Punjab State Power Corporation Limited (PSPCL)). A diversified product portfolio enables the company to spread its risk and reduces dependency on single/few products.

##### **Improvement in profitability metrics**

The profitability metrics of ISL has improved in FY20 driven by increase in capacity utilisation leading to higher absorption of fixed overheads along with increase in contribution from high margin power revenue. The EBITDA margin has increased from 7.33% in FY19 to 9.50% in FY20. With improvement in EBITDA margin and absolute EBITDA, the PAT margin has



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improved from 1.17% in FY19 to 2.30% in FY20. The gross cash accruals of the firm also grew from Rs.13.30 crore in FY19 to Rs.21.12 crore in FY20.

### **Key Weaknesses**

#### **Moderate capital structure and debt protection metrics;**

ISL has a moderate capital structure marked by an overall gearing ratio of 1.65x as on March 31, 2020 as compared to 1.85x as on March 31, 2019. The firm's debt protection metrics are moderate market by TOL/ANW of 3.94x as on March 31, 2020.

#### **Volatile operating margin and exposure to risk related to government regulations**

ISL operates in the sugar industry which is exposed to risks related to Government regulations. This makes its operating profitability susceptible to any policy measure announced by the Government to support sugarcane producers and to keep the sugar prices in check. Vulnerability in business due to Government regulations is likely to continue over the medium term.

#### **Exposed to vagaries of nature**

Being an agro-based industry, performance of ISL is dependent on the availability of sugarcane crop and its yield, which may get adversely affected due to adverse weather conditions. The climatic conditions and pest related attacks have a bearing on the cane output, which is the primary feedstock for a sugar producer. Climatic conditions, to be precise the monsoons influence various operational strictures for a sugar entity, such as the crushing period and sugar recovery levels. In addition, the degree of dispersion of monsoon precipitation across the sugar cane growing areas also leads to fluctuating trends in sugar production in different regions.

#### **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 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:** Standalone



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### Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

### Liquidity: Adequate

The company earned a GCA of Rs.21.12 crore in FY20 as against its repayment obligation of Rs.0.88 crore. Further, the liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accrual ~Rs.26.50-30.40 crore during FY21-22 as against its scheduled repayment obligation in the range of ~Rs.6.83-11.22 crore during the aforesaid period. However, its bank limits remained utilized to the extent of ~46% during the past 12 months ended August 2020 indicating an adequate liquidity buffer.

### About the Company

Indian Sucrose Limited (ISL) was originally promoted by Oswal Group as Oswal Sugars Ltd in 1989 and the unit was set up in 1990-91 at G. T. Road, Mukerian, Distt. Hoshiarpur, Punjab and is engaged in the manufacturing of White Crystal Sugar. In 2000, Yadu Corporation took over the control of the company in the year 2000 when it was loss making unit. The day to day affairs of the company are being looked after by Sh. Kunal Yadav Managing Director of the company. Since the takeover of the unit, the capacity of the unit has expanded from 2500 TCD to 9000 TCD besides adding the other balancing equipment and machinery items.

### Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2019	31-03-2020
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	362.80	532.01
EBITDA	26.58	50.52
PAT	4.36	12.28
Total Debt	180.63	152.96
Tangible Net worth	85.77	89.07



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For the year ended* As on	31-03-2019	31-03-2020
EBITDA Margin (%)	7.33	9.50
PAT Margin (%)	1.17	2.30
Overall Gearing Ratio (x)^	1.85	1.65

\*classification as per Infomerics standard

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	60.00	IVR BB+/Stable Outlook	-	-	-
2.	Working Capital Demand Loan	Long Term	90.00	IVR BB+/Stable Outlook	-	-	-
3.	Proposed Long term/ Short term Banking Facilities	Long Term/ Short Term	25.00	IVR BB+/Stable Outlook/ IVR A4+			

**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](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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
Long Term Bank Facilities- Cash Credit	-	-	-	60.00	IVR BB+/Stable Outlook
Short Term Bank Facilities – Working Capital demand Loan	-	-	-	90.00	IVR BB+/Stable Outlook
Proposed Long Term/ Short Term banking Facilities	-			25.00	IVR BB+/Stable Outlook/ IVR A4+