



Press Release

Rana Sugars Limited

July 02 2021

Ratings

Sr. No	Facility	Amount (Rs. Crore)	Rating Assigned
1	Long Term Fund based Limits – Cash Credit	73.80	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)
2	Long Term Fund based Limits Term Loan	1.91	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)
3	Short Term Non-Fund based Limits - Bank Guarantee	2.00	IVR A4+ (IVR Single A Four Plus)
Total		77.71	

**Details of Facilities are in Annexure 1.*

Detailed Rationale

The ratings assigned to the bank facilities of Rana Sugars Limited (RSL or the company) takes into account the experienced promoters with long track record, integrated nature of operations, PPA providing revenue visibility, healthy financial risk profile & government support to the sugar industry. These are partially offset by working capital intensive operations, cyclical nature in the sugar business, exposed to vagaries of nature, exposure to risk related to government regulations.

Key Rating Sensitivities

- Upward Factors

- Increase in scale of operation in coming years with improvement in cash accruals.
- Improvement in profitability metrics thereby leading to overall improvement in cash accruals and debt protection parameters on a sustained basis.

- Downward Factors

- Decline in profitability due to any company or industry related factors leading to deterioration in debt protection metrics.
- Further deterioration in operating cycle impacting the liquidity.
- Any delay/default in repayment obligations.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters with long track record

Rana Sugars Limited was established in 1991 and is a public limited company with its shares listed in NSE & BSE stock exchanges. The registered office of the company is located at Chandigarh. The company is managed by the promoter Rana Inder Pratap Singh (Managing Director), Mr. Rana Veer Pratap Singh (Director) & Mr. Rana Ranjit Singh (Director) and have established healthy customer and suppliers' relations over the years.

Integrated nature of operations

RSL operations are fully integrated in nature which has led to better absorption of fixed cost and any increase in the raw material cost. The Company is having its operations in the State of Punjab and Uttar Pradesh and is principally engaged in the manufacturing of Sugar, Ethanol and co-generation of power. The cogeneration and distillery units provide alternate revenue streams and some cushion against cyclicity in sugar business. Furthermore, integrated nature of operations supports overall profitability of RSL. As a result of the integrated nature of operations the operating margin of the company have ranged between 4-10% over the last four years.

Power Purchase Agreement providing long term revenue visibility.

RSL has installed power generation capacity of 102 MW in its sugar manufacturing facilities. Power is used captively as well as exported to the State Grids of Punjab and Uttar Pradesh respectively under long term Power Purchase Agreements (PPA). The company has 3 PPA for its 3 units in Moradabad, Rampur & Buttar with tenure of the agreement is of 20 years from the date of commission of plant i.e., till April 2027.

Healthy Financial risk profile - The capital structure of the company is moderate & is marked by the tangible networth of Rs. 363.08 crore & Total debt of Rs. 188.67 crore in FY2021. Overall Gearing stood at 0.52x and Long-Term Debt to equity stood at 0.33x in FY2021. Interest coverage ratio stood at 7.15x & DSCR of 3.07x in FY2021.



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Government support to the sugar industry

The company benefits from Government support to the sugar industry in the form of low-cost soft loans and interest subvention schemes, among others, which materially impact the profitability of the domestic sugar industry. The company is likely to continue to benefit from the sugar export subsidy from the Government of India as in the past fiscal. In FY2021, the company has booked Rs. 20.35 crore as sugar export subsidy made under Maximum Admissible Export Quota (MAEQ).

Key Rating Weaknesses

Working capital intensive operations, cyclicity in the sugar business

Since sugar is an agro-based commodity. 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, high inventory days of 113 days and requirement of higher working capital. The average bank limit utilisation stood at ~85 percent for the last 12 months ended March 2021.

Exposed to vagaries of nature.

Being an agro-based industry, performance of RSL is dependent on the availability of sugarcane crop and its yield, which may get adversely affected due to adverse weather conditions. The climatic conditions have major impact on the various operational structures for a sugar entity, such as the crushing period and sugar recovery levels.

Exposure to risk related to government regulations.

The Sugar industry is highly exposed to risks related to Government regulations. Various Government Acts virtually governs all aspects of the business, which include the availability and pricing of sugarcane, sugar trade and by - product pricing. Government intervention also exists to control the sugar prices to curb food inflation and stabilize the sugar prices in the domestic market. Moreover, ethanol-blending policy is also highly regulated by the government. Vulnerability in business due to Government regulations is likely to continue over the medium term.



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Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing companies
Financial Ratios & Interpretation (Non-Financial Sector)
Default Recognition Policy

Liquidity: Adequate

The liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accrual of Rs. 113.18 crore in FY2021 as against its scheduled repayment obligation in the range of Rs. 14.61 crore due within a year. Further, its bank limits remained utilized to the extent of 85% during the past 12 months ended March 2021 indicating an adequate liquidity buffer of 15% in case of any contingent liability.

About the Company

Rana Sugars Limited (RSL) was incorporated in 1991 & is a public limited company with its shares listed in NSE & BSE stock exchanges. The registered office of the company is located at Chandigarh. The Company is having its operations in the State of Punjab and Uttar Pradesh and is principally engaged in the manufacturing of Sugar, Ethanol and co-generation of power. Power is used captively as well as exported to the State Grids of Punjab and Uttar Pradesh respectively under long term Power Purchase Agreements (PPA). The company has 3 PPA for its 3 unit in Moradabad, Rampur & Buttar

Financials: Standalone

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020	31-03-2021
	Audited	Audited	Audited
Total Operating Income	1091.66	1315.64	1227.27
EBITDA	44.25	90.77	131.59
PAT	-74.93	265.71	157.70
Tangible Net worth	-61.53	205.01	363.08
EBITDA Margin (%)	4.05	6.90	10.72
PAT Margin (%)	-6.76	20.12	12.85
Overall Gearing Ratio (x)	-13.30	1.46	0.52

*As per Infomerics Standards



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Status of non-cooperation with previous CRA: ICRA Ratings has moved the rating into Issuer Not Cooperating category as per PR dated June 24 2021.

Any other information: Nil

Rating History for last three years:

Sr. No	Facility	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	73.80	IVR BB+/Stable	NA	NA	NA
2.	Term Loan	Long Term	1.91	IVR BB+/Stable	NA	NA	NA
3	Bank Guarantee	Short Term	2.00	IVR A4+	NA	NA	NA

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.

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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



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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 I

Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Amount (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund based Limits – Cash Credit	-	-	Revolving	73.80	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)
Long Term Fund based Limits Term Loan	-	-	March 2025	1.91	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)
Short Term Non-Fund based Limits - Bank Guarantee			Less than a year	2.00	IVR A4+ (IVR Single A Four Plus)
Total				77.71	