



Sri Sarvaraya Sugars Limited

Instrument	Amount in Rs. Crore	Rating Action
Cash Credit	132.00	[ICRA]B assigned
Term Loan	58.00	[ICRA]B assigned
Fixed Deposit Programme	5.00	MB assigned

ICRA has assigned a long-term rating of [ICRA]B(pronounced ICRA B) to Rs.132 crore* cash credit limits and Rs. 58.00 crore term loans of Sri Sarvaraya Sugars Limited (SSSL)*. ICRA has also assigned the rating of MB (pronounced M B) to the Rs. 5.00 crore Fixed Deposit Programme of SSSL.

The assigned ratings are constrained by exposure of the sugar unit of the company to agro-climatic risks which impact sugarcane availability and recovery; regulated nature and high working capital intensity associated with the sugar industry, which coupled with delays in the receipt of payments from Andhra Pradesh Transmission Corporation Limited (AP Transco) for the power sales from the co-generation division impacted SSSL's liquidity position in the past. Further, reducing realizations in the sugar division have impacted the profitability of the sugar unit of the company since SY 2014. The ratings also remain constrained by the seasonal nature of the beverages industry and the capital intensive nature of the bottling business. In addition, the ratings remain tempered by the project implementation risk and funding risk associated with the predominantly debt funded capital expenditure plan of Rs. 135 crore to be taken up by the company in the bottling unit for which the financial closure is yet to be achieved in terms of debt while the remaining portion is funded through internal accruals.

The assigned ratings, however, positively factor in the relatively diversified operational profile of the company with presence of bottling unit along with the sugar division which in turn is fully forward integrated (with cogeneration unit of 12.65 MW and distillery unit of 30 KLPD) which provides cushion to the overall profitability of the company during sugar downturn, stable business model of the company due to exclusive franchisee agreement with Coca-Cola India Private Ltd., for three districts of Andhra Pradesh/Telangana and established market position of Coke products in those regions. Further, the ratings also consider the extensive experience of the promoters in the sugar industry which entails established relationships with farmers (for sugar cane procurement) and customers for the other product segments.

Going forward, the ability of the company to service the debt obligations on a timely basis by ensuring fungibility of monetary resources between the bottling and sugar units, improve crushing and ensure timely completion of the planned expansion in the bottling division are the key rating sensitivities from credit perspective.

Company Profile

Sri Sarvaraya Sugars Limited(SSSL) was incorporated in the year 1956 by Mr. SBPBK Satyanarayana Rao. The company operates an integrated sugar plant with a crushing unit of 4000 TCD capacity located in Chelluru district in Andhra Pradesh. The company also operates a bottling division with units at three locations namely Vemagiri, Kesavaram and Sathupally in Andhra Pradesh/Telangana and is a franchisee bottler for Coca Cola India Private Limited.

* 100 lakh = 1 crore = 10 million

*For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



Recent Results

As per the audited results for FY 2015(18M)[†], the company reported profit after tax of Rs.18.93 crore on operating income of Rs.672.74 crore as against profit after tax of Rs.7.95 crore on operating income of Rs.441.49 crore during FY 2013.

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[†]The company's financial year is being changed to April to March as against October to September period upto FY 2013; FY 2015 financials are for the period October 2013 to March 2015

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