

## Sri Sarvaraya Sugars Limited

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

ICRA has upgraded the long-term rating assigned to Rs.132 crore<sup>1</sup> cash credit limits and Rs. 58.00 crore term loans of Sri Sarvaraya Sugars Limited (SSSL)<sup>†</sup> from [ICRA]B(pronounced ICRA B) to [ICRA]B+(pronounced ICRA B+). ICRA has also upgraded the rating assigned to the Rs. 5.00 crore Fixed Deposit Programme of SSSL from MB (pronounced M B) to MB+ (pronounced M B Plus).

The revision in ratings takes into consideration the relatively low implementation risk associated with the capacity expansion plan of Rs. 175 crore being undertaken by the company in its bottling unit, given that ~84% of total cost has already been incurred till date; and the healthy performance demonstrated by the company in FY2016 aided by healthy volume sales in the bottling unit. Further, the ratings continue to positively factor in the diversified operational profile of the company with presence of bottling unit along with the sugar division which in turn is fully forward integrated and provides a cushion to the overall profitability of the company during sugar downturn; and the stable business model of the company in the beverages division due to exclusive franchise agreement with Coca-Cola India Private Ltd., for three districts of Andhra Pradesh/Telangana. 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. The ratings, however, continue to remain constrained by the exposure of the sugar unit to agro-climatic risks which impact sugarcane availability and recovery; and the regulated nature and high working capital intensity associated with the sugar industry which have resulted in relatively high utilization in working capital limits for the company. The ratings also remain constrained by the seasonality associated with the beverages industry and the capital intensive nature of the bottling business which demands continuous investment in capital expansion. Further, the ratings also continue to remain constrained by the exposure of beverages industry to regulatory risks from changes in government policies.

Going forward, the ability of the company to service its debt obligations on a timely basis by ensuring fungibility of monetary resources between the bottling and sugar units, manage its working capital requirements effectively and ensure timely completion of the planned expansion in the bottling division remain 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.

### Recent Results

As per the unaudited & provisional results for FY2016, the company reported profit after tax of Rs. 26.92 crore on operating income of Rs. 487.12 crore as against profit after tax of Rs.18.93 crore on operating income of Rs.672.74 crore during FY 2015(18M)<sup>2</sup>.

**August 2016**

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>†</sup>For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

<sup>2</sup>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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