24th December 2024

Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (East), Mumbai – 400 051

Dept. of Corporate Service
BSE Limited
P. J. Towers, Dalal Street
Mumbai – 400 001

NSE Symbol: **RENUKA**

BSE Scrip Code: **532670**

Subject: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") – Revision in Rating(s) of Wholly-Owned Subsidiary Company of Shree Renuka Sugars Limited ("the Company")

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI Listing Regulations, we wish to inform you that CARE Ratings Limited (CARE) has assigned ratings to the Long-term Bank Facilities and Long-term/Short-term Bank Facilities availed by Anamika Sugar Mills Private Limited ("ASMPL"), a wholly owned subsidiary company of the Company. The instrument-wise rating actions are as follows:

Instrument Type	**Size of Issue (In Rs. Crore)**	**Rating/Outlook**	**Rating Action**
Long-term Bank Facilities	156.00	CARE BBB+; Stable	Assigned
Long-term/Short-term Bank Facilities	100.00	CARE BBB+; Stable/ CARE A2	Assigned

The rating document issued by CARE is enclosed.

This is for your information.

Thanking you,

Yours faithfully,
For **Shree Renuka Sugars Limited**

Deepak Madhav Manerikar
Digitally signed by Deepak Madhav Manerikar
Date: 2024.12.24 14:34:25 +05'30'

Deepak Manerikar
Company Secretary

Anamika Sugar Mills Private Limited

December 23, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	156.00	CARE BBB+; Stable	Assigned
Long-term / Short-term bank facilities	100.00	CARE BBB+; Stable / CARE A2	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has assigned ratings of 'CARE BBB+; Stable / CARE A2' to bank facilities of Anamika Sugar Mills Private Limited (ASMPL). Ratings derive strength from its experienced promoters, operational synergies and financial support extended by parent entity Shree Renuka Sugars Limited (SRSL) having established track record of operating integrated sugar mills in Maharashtra and Karnataka. Ratings also draw comfort from the SRSL's strong operational, financial and managerial linkages with its ultimate parent, Wilmar International Limited (Wilmar) and demonstrated track record of receiving support from the latter in the form of corporate guarantee and funds infusion.

Ratings further take cognisance of ASMPL's strategic importance in the group owing to its plant location in north India, in Uttar Pradesh (the largest sugar producing state in India) enabling extended geographical presence which will expand SRSL's market position further. Besides, SRSL's Madhur is one of the leading refined sugar brands in the country and management indicated that through ASMPL it shall in due course may produce Madhur to serve northern and eastern markets.

CARE Ratings also notes improvement in the company's overall operational and financial profile post-acquisition by SRSL characterised by improved leverage and coverage indicators owing to redemption of preference shares of ₹106.40 crore and improving the company's operational performance backed by healthy recovery rates and robust sugar prices making it self-sufficient, however, support from SRSL would be available as and when required as indicated by the management. The debt funded expansion capex from 4,000 TCD to 7,000 TCD and 6 MW to 21MW would also amplify the company's cash flows and demonstrates the strategic importance that ASMPL holds in the overall scheme of things for the group.

However, rating strength are partially offset by ASMPL's non-integrated operations and exposure towards the single location of plant, cyclical and regulated sugar industry and risk related to ongoing project.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability of the company to diversify its operations with growth in total operating income (TOI) above ₹400 crore profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins above 10%-11% on a sustained basis.
- Improvement in interest coverage beyond 5x on a sustained basis with peak overall gearing sustaining below unity.

Negative factors

- Any significant decline in operational metrics (cane yield, recovery, volumes, prices etc) adversely impacting the financial risk profile of the company leading to decline in scale of operations with PBILDT margin falling below 6%.
- Any higher than envisaged debt funded capex leading to moderation in financial risk profile and TOL/TNW above 1.50x.
- Any adverse change in ownership profile of parent entity Renuka Sugar or any weakness in support or linkage with ultimate Parent entity Wilmar.

Analytical approach: Standalone

Ratings factor in the strong management, operational and financial linkages with the parent entity Shree Renuka Sugars Limited (SRSL) with common management, board of directors and same line of operations. The rating also draws comfort from ultimate strong parent (Wilmar International Limited) on account of its demonstrated support to SRSL.

Outlook: Stable

'Stable' outlook assigned to ASMPL's long-term rating reflects CARE Ratings' expectation that the company's operational performance will remain comfortable in the near-to-medium term considering increase in scale of operations resulting in improved cash accruals. Financial risk profile will moderate owing to ongoing debt funded capacity expansion, but comfort is being taken from the strong promoter background and need based support if required shall be timely extended to ASMPL by SRSL.

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[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Strong Parentage of Wilmar Group through SRSL

Wilmar has diversified businesses including oil, sugar and grains among others. SRSL is a step-down subsidiary of Wilmar (through Wilmar Sugar and Energy Pte. Limited) with a 62.5% shareholding and common management and also shares strong operational and financial linkages with Wilmar as major portion of its raw sugar requirement for the refining business is procured from Wilmar and also receives financial support from time to time.

In October 2023, SRSL acquired 100% stake in ASMPL for a consideration of ₹235.5 crore and further invested ₹109.50 crore through right issue for redemption of preference shares worth ₹109.50 crore of erstwhile promoters. The funds infused by SRSL were raised primarily through NCDs which were backed by corporate guarantee of Wilmar International Limited indicating significance of ASMPL in SRSL and Wilmar group.

SRSL at a consolidated level has the fourth-largest sugar manufacturing capacity in India and is also a leading supplier of ethanol to oil marketing companies. SRSL has an operating track record of over 25 years in the sugar business and is geographically well diversified with presence in Karnataka, Maharashtra and now even in Uttar Pradesh through ASMPL. With its acquisition of ASMPL in Uttar Pradesh in October 2023, the company expanded its geographical footprint which would further enhance its scale and market position.

ASMPL will also remain strategically important to SRSL and Wilmar to expand its footprint in the northern region of the country while the group already has an established brand presence in southern states through its brand 'Madhur'.
CARE Ratings also notes ASMPL is strategically important to SRSL and need based financial support shall be extended to ASMPL as and when required. Both the companies have common management and operationally are well integrated.

Revenue growth and comfortable financial risk profile though will moderate in medium term owing to upcoming project

ASMPL demonstrated a steady revenue growth from ₹267.41 crore in FY20 to ₹332.55 crore in FY24 registering a compound annual growth rate (CAGR) of 5.60% driven primarily by the robust sugar prices and healthy net recovery going up to 11%. PBILDT margins also showed improvement from 7.09% in FY20 to 9.59% in FY24.
In H1FY25, the company has reported revenue of ₹161.12 crore and PBILDT of ₹9.04 crore against revenue of ₹157.01 crore and earnings before interest, taxation, depreciation, and amortisation (EBITDA) of ₹10.13 crore in H1FY24.

Overall gearing and total debt to PBILDT improved from 3.30xx and 8.19x as on March 31, 2020 to 0.38x and 2.49x as on March 31, 2024, respectively, primarily considering redemption of preference shares which were paid of the capital infused by the parent SRSL. Interest coverage improved from 2.56x in FY20 to 4.03x in FY24 owing to higher profitability registered by the company. ASMPL is undertaking expansion capex of ~₹184 crore which will be largely debt funded and shall become operational from the next sugar season. Significant time and cost overrun impacting ASMPL's overall credit profile shall remain a key monitorable going forward.

Overall financial risk profile has significantly improved in FY24 due to the redemption of preference shares. However, the company is currently undertaking a project to enhance its existing capacity, which involves debt financing of ~₹156 crore in FY25 and FY26. This may lead to a slight moderation in financial metrics in these years. Once the enhancement is complete, the project is expected to contribute to growth in the scale of operations and gradually improve the financial risk profile

Key weaknesses

Cyclical and regulated sugar industry

The sugar industry is cyclical and is vulnerable to the government policies for reasons like its importance in the wholesale price index (WPI) as it classifies as an essential commodity. The government on its part resorts to regulations like fixing the raw material prices in the form of state advised prices (SAP) and fair and remunerative prices (FRP). All these factors impact the cultivation patterns of sugarcane in the country and thus affect the profitability of sugar companies.

Single location of operations making it vulnerable to agro-climatic conditions in particular region

The company operates from a single location from its plant at Bhandoria, Aurangabad, Bulandshahr, Uttar Pradesh (UP). This makes the company vulnerable to the policies framed by the state government and measures taken by it for price regulation. Climate conditions in the region also have a direct effect on the price of raw material and its availability.

Non-integrated sugar operations and working capital intensive nature of operations

ASMPL is not an integrated sugar player as it does not have distillery thus, revenue and cash flows of the company will remain more prone to cyclicality of the segment and severe change in the crop yield, pest attack and political scenario in UP. However, ASMPL is profitably placed in the group through its sugar operations and further integration into ethanol may be taken up by the management based upon the future requirements of the group.

Since sugar industry is seasonal it has high working capital requirements in the peak season which is from November to April. The companies have high working capital requirements in the peak season to procure their primary raw material, including sugarcane and manufacture sugar in this period. The company has been able to maintain a moderate working capital utilisation owing to WCDL limits availed by it. Average working capital utilisation at maximum level and average level for the 12 months period ended September 2024 stood ~at 58.02% and 36.25%, respectively. However, as on March 31, 2024, the working capital limits were nearly fully utilised in the form of CC and WCDL. The operating cycle stood at 175 days in FY24.

Liquidity: Adequate

ASMPL's liquidity profile stands adequate given its sufficient cash accruals against its low debt repayments. ASMPL reported gross cash accrual (GCA) of ~₹18.79 crore in FY24 and is expected to generate ₹20-25 crore in FY25-FY26 against which the total scheduled debt repayment is ~₹2-3 crore annually.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Sugar
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Agricultural food and other products	Sugar

ASMPL was incorporated on March 12, 2010. The company acquired an existing sugar undertaking Agauta Sugar & Chemicals Limited (with an installed capacity of 3,200 tons cane crushed per day [TCD] in October 2010 which was funded entirely through equity contribution from Anamika Sugar Holdings Limited (Mauritius) which was ASMPL's holding company. ASMPL augmented the installed capacity (cane crushing) to 4,000 tons per day (TPD) at its sugar plant located in village Bhandoria in Bulandshahr, Uttar Pradesh. The company has bagasse based captive co-generation power capacity of 6 mega-watt (MW). In FY24, Shree Renuka Sugars Limited acquired 100% stake in ASMPL.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25(UA)
Total operating income	295.17	332.55	161.16
PBILDT	17.39	31.88	9.04
PAT	-0.88	7.93	0.79
Overall gearing (times)	2.18	0.38	NA
Interest coverage (times)	1.74	4.03	3.81

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	30-09-2031	156.00	CARE BBB+; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	100.00	CARE BBB+; Stable / CARE A2

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)CARE BB+; Stable (08-Mar-22) 2)Withdrawn (08-Mar-22)
2	Fund-based - LT-Term Loan	LT	156.00	CARE BBB+; Stable				
3	Fund-based - LT/ ST-Working Capital Limits	LT/ST	100.00	CARE BBB+; Stable / CARE A2				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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