RANA SUGARS LIMITED

REGD. OFFICE: SCO 49-50, SECTOR 8-C, MADHYA MARG CHANDIGARH- 160 009 (INDIA)
CIN: L15322CH1991PLC011537, Website: www.ranasugars.com, E-mail: info@ranagroup.com
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RSL/22-23/CS **25th May, 2022**

To,

Department of Corporate Services (DCS)
The BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400001.

National Stock Exchange of India Limited
Exchange Plaza,
Bandra-Kurla Complex,
Bandra (E), Mumbai- 400051.

Ref: Scrip Code: 507490

Company Symbol: RANASUG

Subject: Disclosure of Credit Rating pursuant to regulation 30(6) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015

Dear Sir/Ma'am,

Pursuant to Regulation 30(6) read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Regulation"), we would like to inform that based on Infomerics credit ratings, the Company has been assigned the following revised corporate credit rating.

Instrument / Facility	Current Ratings	Rating Action
Long Term Bank Facilities	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Revised from IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)
Short Term Bank Facilities	IVR A3 (IVR A Three)	Revised from IVR A4+ (IVR A Four Plus)

Copy of the credit rating is enclosed.

You are requested to kindly take the above on your records.

Thanking you,
Yours sincerely,

For RANA SUGARS LIMITED

SURESH KUMAR
Company Secretary & Compliance Officer

Encl: As above

Press Release

Rana Sugars Limited
May 24, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Rating Action	Complexity Indicators
Long Term Bank Facilities	93.80 (increased from 75.71)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Revised from IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Simple
Short Term Bank Facilities	2.00	IVR A3 (IVR A Three)	Revised from IVR A4+ (IVR A Four Plus)	Simple
Total	**95.80 (Rupees Ninety Five crore and Eighty lakh only)**			

Details of facilities are in Annexure 1

Detailed Rationale

The revision in ratings of the bank facilities of Rana Sugars Limited (RSL) factors in the improvement in its performance and capital structure in 9MFY22. The ratings continue to derive strength from its experienced promoters with long track record, integrated nature of operations, Power Purchase Agreements (PPAs) providing long term revenue visibility and government support to the sugar industry. RSL's ratings continue to remain constrained by its working capital intensive operations, cyclicality in the sugar business, exposure to vagaries of nature and risk related to government regulations.

Key Rating Sensitivities

Upward Factors

- Sustained increase in scale of operation of more than 15% in coming years with improvement in cash accruals.
- Improvement in profitability metrics with EBITDA margin above 13% on a sustained basis
- Improvement in capital structure with reduction in overall gearing below 0.10x.

Downward Factors

- Sharp decline in sugar prices, cane crushing volumes, recovery rate or an increase in cane costs; or any significant decline in ethanol realizations or material change in Government policies resulting in moderation of profitability and debt coverage metrics.
- Deterioration in working capital management impacting the liquidity or sizeable capital expenditure weakening the financial risk profile

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters with long track record

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

Integrated nature of operations

RSL's 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 operates in the states 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 cyclicality in sugar business. Further, integrated nature of operations supports overall profitability of RSL. As a result of the integrated nature of operations the operating margin of the company has ranged between 4-11% over FY19-21.

PPAs 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 under long term PPAs. The company has 3 PPAs for its 3 units located at Moradabad, Rampur and Buttar with tenure of the agreement upto 20 years from the date of commission of plants i.e., till April 2027.

Improvement in performance and capital structure in 9MFY22

RSL's total operating income (TOI) increased by 28.96% in 9MFY22 as compared to 9MFY21 and stood at Rs.914.17 crore for 9MFY22 led by increase in revenue from distillery segment. EBITDA margin increased significantly by 733 bps, from 5.38% in 9MFY21 to 12.71% in 9MFY22. This was due to improvement in margin in sugar segment in 9MFY22 against losses reported in the segment in 9MFY21 due to low recovery rate and high material cost coupled with increase in revenue contribution from distillery segment which has higher profit margins. RSL reported an exceptional loss of Rs.16.18 crore in 9MFY22 as expenditure towards setting up new manufacturing facility, which did not materialize due to regulatory issues, and hence was charged against profit in 9MFY22 as per provisions of IND AS-16. Against this, RSL had reported an exceptional gain of Rs.70.72 crore in 9MFY21 led by gain of Rs.72.05 crore One Time Settlement (OTS) agreement with Bank of Baroda. On account of this, RSL reported a decline in the PAT margin by 434 bps, from 11.83% in 9MFY21 to 7.49% in 9MFY22. GCA increased substantially from Rs.29.52 crore in 9MFY21 to Rs.105.11 crore in 9MFY22 with improvement in EBITDA margins.

The overall gearing and TOL/TNW ratios improved and continued to remain comfortable at 0.43x and 1.39x respectively as on December 31, 2021 as against 0.49x and 2.13x respectively as on March 31, 2021 due to increase in tangible networth led by accretion of profits to reserves. Due to the substantial increase in profitability, the interest coverage ratio and total debt/ GCA improved from 2.73x and 7.29x respectively in 9MFY21 to 8.91x and 1.75x respectively in 9MFY22.

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.

Key Rating Weaknesses

Working capital intensive operations, cyclicality 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 and requirement of higher working capital. The operating cycle of the company remained adequate in 9MFY22. However, RSL's inventory days remained elongated at 100 days in 9MFY22 due to high inventory of finished goods as on balance sheet date on account of the seasonal nature of business. This is primarily funded by stretching the creditors. Creditor days though decreased, remained stretched at 128 days in 9MFY22 against 159 days in FY21.

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 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 structures 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.

Exposure to risk related to government regulations

The sugar industry is highly exposed to risks related to Government regulations. Various Government Acts virtually govern all aspects of the business, which includes 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.

Analytical Approach: Standalone

Applicable Criteria:

Criteria of assigning Rating Outlook

Rating Methodology for Manufacturing companies

Financial Ratios and Interpretation (Non- Financial Sector)

Liquidity – Adequate

RSL's liquidity position remained adequate marked by current ratio of 1.11x as on December 31, 2021. Inventory day of RSL remained high at 100 days in 9MFY22 primarily funded through high creditor period of 128 days. Cash and Cash equivalents stood at Rs.18.25 crore as on December 31, 2021. Further, RSL has envisaged capex of Rs.130.40 crore during FY22-FY24 which will be partially funded through debt of Rs.25.00 crore and balance through internal accruals.

About the Company

RSL was incorporated in 1991. RSL operates in Punjab and Uttar Pradesh, and is primarily engaged in the manufacturing of sugar, ethanol and co-generation of power. Power is used captively as well as sold to the State Grids of Punjab and Uttar Pradesh respectively under long term PPAs. RSL has sugar manufacturing facilities at three locations in India viz. Buttar (Punjab), Moradabad (Uttar Pradesh) and Rampur (Uttar Pradesh).

Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2020	31-03-2021
	Audited	**Audited**
Total Operating Income	1315.64	1227.27
EBITDA	90.77	131.59
PAT	265.71	157.70
Total debt	299.86	179.20
Tangible Net worth	205.01	363.08
Ratios		
EBITDA Margin (%)	6.90	10.72
PAT Margin (%)	20.12	12.85
Overall Gearing Ratio (x)	1.46	0.49

**As per Infomerics' Standards*

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 Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) and Rating (s) assigned in 2021-22 (PR dated July 2, 2021)	Date(s) and Rating (s) assigned in 2020-21	Date(s) and Rating(s) assigned in 2019-20
1.	Long Term Bank Facility – Term Loan	Long Term	25.00	IVR BBB-/ Stable	IVR BB+/ Stable	-	-
2.	Long Term Bank Facility – Cash Credit	Long Term	68.80	IVR BBB-/ Stable	IVR BB+/ Stable	-	-
3.	Short Term Bank Facility – Bank Guarantee	Short Term	2.00	IVR A3	IVR A4+	-	-

Name and Contact Details of the Rating Analyst:

Name: Devang Shah Tel: (079) 40393043 Email: devang.shah@infomerics.com	Name: Niriksha Gupta Tel: (022) 62396023 Email: niriksha.gupta@infomerics.com

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Instruments/ Facilities

Name of Instruments/ Facilities	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Term Loan	-	-	June 2026	25.00	IVR BBB-/ Stable
Long Term Bank Facility – Cash Credit	-	-	-	68.80	IVR BBB-/ Stable
Short Term Bank Facility – Bank Guarantee	-	-	-	2.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Len-Rana-Sugars-May22.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.