21 September 2022

To

National Stock Exchange of India Ltd,
Exchange Plaza, C-1, Block-G
Bandra-Kurla Complex, Bandra (E)
Mumbai- 400 051
NSE Symbol: ZUARIIND

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001
BSE Scrip Code: 500780

Sub: Disclosure under Regulation 30 of the SEBI (listing Obligations and Disclosure Requirements) Regulations, 2015 in connection with assignment of Credit Rating

Dear Sir/Madam,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform that Care Ratings Limited, the Credit Rating Agency, has assigned the rating ***"CARE BBB- ; Stable"*** to Long Term Bank Facilities and ***"CARE A3"*** to Short Term Bank Facilities of Zuari Industries Limited (formerly Zuari Global Limited).

Please find the enclosed the press release dated 20 September 2022 issued by Care Ratings Limited in this regard.

Kindly take the above information in your record.

Thanking You

Yours Faithfully
For Zuari Industries Limited
(formerly Zuari Global Limited)

LAXMAN AGGARWAL

Laxman Aggarwal
Company Secretary

Encl : as above

ZUARI INDUSTRIES LIMITED (formerly Zuari Global Limited)

ZUARI INDUSTRIES LIMITED
(formerly Zuari Global Limited)
CIN No.: L65921GA1967PLC000157
Corp. Off : 5th Floor, Tower – A, Global Business Park, M. G. Road, Sector 26, Gurugram – 122 002, Haryana India
Tel: +91 124 482 7800 / +91 124 404 3572
Website : www.adventz.com, E-mail: ig.zgl@adventz.com
Regd. Off : Jai Kisaan Bhawan, Zuarinagar, Goa - 403726

Zuari Industries Limited (erstwhile Zuari Global Limited)

September 20, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	604.75	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Assigned
Short Term Bank Facilities	17.25	CARE A3 (A Three)	Assigned
Total Bank Facilities	**622.00 (₹ Six Hundred Twenty-Two Crore Only)**		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of Zuari Industries Limited's (ZIL – erstwhile Zuari Global Limited) takes into account the strong presence of the Adventz group – chaired by Mr. Saroj Kumar Poddar, across various business verticals including group's presence in sugar industry (through erstwhile Gobind Sugar Mills Limited (GSML), now merged with ZIL) for over 7 decades, professionally driven company with experienced management led by Mr. Athar Shahab with over three decades of experience spanning across project finance, strategy, project management and general management among others, integrated sugar business operations with forward integration into co-generation and distillery resulting in diversified revenue streams. The ratings favourably factor in expected improvement in operations of SPE division (i.e., sugar, power, and ethanol division) backed by envisaged improvement in drawl rate by increasing cane acreage, augmented distillery capacity and scheduled commencement of production of ethanol directly from syrup in the upcoming sugar season. This will further be aided by supportive government's policies and their thrust on Ethanol Blending Program (EBP). With higher distillery capacity and consequently higher sales of ethanol through the B heavy route, profitability is likely to improve going forward. The ratings also take into account the financial flexibility of the group emanating from significant market value of the investments in companies with sound financial and strong market capitalization. These sizeable investments thus provide access to cash flows from other income including dividends and interest income to the merged entity that has led to diversified revenue stream. Furthermore, Adventz group is in process of monetizing part of its land parcels held under ZIL and its associates over the medium term which shall be utilized to de-leverage. These strengths are partially offset by high level of debt with significant debt repayments backed by pledge of high market value non-current investments which acts as a mitigant, modest debt coverage indicators, lower cane drawl rate adversely impacting the sugar operations and efficiency in the past leading to lower cash generation from operations for debt servicing, working capital intensive nature of operations, vulnerability of operations to agro climatic conditions and inherent cyclicity and regulated nature of sugar industry.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Substantial improvement in scale of operations exceeding Rs. 900 Cr along with improvement in profitability margins backed by turnaround of SPE division.
- Significant reduction in debt levels leading to improvement in debt coverage indicators like Interest Coverage Ratio (PBILDT/ Interest), Debt to PBILDT ratio and total debt to cash flow from operations.
- Improvement in liquidity along with improvement in cash flow from operations on a sustained basis along with prudent management of cane dues.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Inability to de-leverage or to improve liquidity and debt coverage by end of FY23 (refers to the period from April 01, 2022 to March 31, 2023).
- Any further decline in profitability margins or stretch in working capital cycle (beyond 240 days) thereby impacting liquidity of the company.
- Any regulatory change having the potential to materially impact the company's performance negatively on a sustained basis.

Detailed description of the key rating drivers

Key rating strengths

Diversified business conglomerate with experienced management

The Adventz group operates businesses across four major business verticals namely, agri-business, engineering & infrastructure, emerging lifestyle, and services, while ZIL has its presence in sugar, ethanol, co-generation power, and real-estate. Besides, it also earns interest income against support extended to its group entities and dividend income against its quoted investments.

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

Table.1: Segment-wise revenue of ZIL (Standalone)

Revenue Segment	March 31, 2021 (A)	March 31, 2022 (A)
Sugar*	621.24	418.91
Ethanol	110.38	150.83
Co-generation	31.12	29.42
Real Estate	10.32	8.39
Interest income	92.44	97.37
Dividend income	18.93	56.52
Others#	8.52	4.06

*Includes income from sale of by-products, scrap sales and export subsidy

#Includes income from financial guarantees, consulting income, rental income from investment properties and exchange fluctuation

Adventz Group is promoted by Mr. Saroj Kumar Poddar (Chairman and Director), who is best known for introducing men's shaving brand Gillette, French furniture maker brand Gautier and Duracell batteries to the Indian market. Late Mr. K.K. Birla bequeathed the fertilizer business and sugar business to Mr. Poddar and his wife Mrs. Jyotsna Poddar (Director). He subsequently ramped up the business by acquiring Mangalore Chemicals and Fertilizers Limited (CARE BBB+; Stable/ CARE A3+) from Mr. Vijay Mallya. Besides, Mr. Poddar is also chairing Paradeep Phosphates Limited, which completed its Initial Public Offer in May 2022 successfully, Texmaco Rail & Engineering Limited (CARE A-; Negative/ CARE A2) and Texmaco Infrastructure Holdings Limited (CARE BBB+; Stable). All the companies under the group are professionally managed.

ZIL's operations are led by Mr. Athar Shahab, Managing Director, who has over three decades of experience across project finance, strategy, project management, general management, etc. He is also a member of CII National Committee on Power. Mr. Shahab is ably supported by a strong second line of management. With company's focus on deleveraging its balance sheet both at standalone and consolidated level, financial flexibility of ZIL along with its promoters would remain key credit risk perspective.

Financial re-engineering to unlock synergies and shareholder value

ZIL was entirely the holding company of Adventz Group until April 30, 2022 i.e. prior to merger with GSML, predominantly deriving its income from interest on loans & advances given to its group companies, dividend income from the large portfolio of investments that it holds and also from its real estate project in Goa by the name of Zuari Rain Forest. On the other hand, pre-merger GSML was acquired by K.K. Birla Group in the year 1952 and has been operational for over seven decades in the business of sugar and subsequent forward integration to power co-generation and ethanol blending. Though, the operations stood stagnant due to eroded net worth acting a key financial constraint. Therefore, to unlock shareholder's value through synergy, GSML was merged into ZGL. The said merger has made ZIL an operational company. The merger would help in streamlining and rationalising the group structure imparting better management focus and ensuring optimum utilisation of resources.

Envisaged improvement in sugar business

ZIL's SPE division underwent a massive transformation over the last 5-7 years from being a standalone sugar factory which was exposed to vagaries and cyclicality of sugar business to a fully integrated sugar mill. The company is forward integrated into cogeneration and distillery operations that de-risks the core sugar business to some extent. The performance of SPE division remained subdued during FY22 primarily on account of lower cane availability in the sugar season 2021-22 due to adverse weather conditions and outbreak of red rot disease across the command areas. During FY22, the company crushed 128.09 lakh quintals (vs 142.09 lakh quintals in FY21) of sugar cane achieving sugar recovery rate of 9.43% (vs 10.38% during previous fiscal). Sugar recovery was lower also due to diversion of sugarcane towards B-Heavy Molasses for ethanol. During FY22, distillery plant of the company produced 262.46 lakh litres of ethanol (as against 210.84 lakh litres in FY21) whereas the cogeneration unit produced 102.88 million units of power and exported 73.81 million units to the Uttar Pradesh Power Corporation Limited (UPPCL).

ZIL also has a lower drawl rate as the command area provided to company is surrounded by high number of local/ Khandsari sugar players. One of the reasons for farmers diverting their output to these units could be company stretching farmer payments leading to high cane arrears. However, in the current fiscal year the cane dues have substantially reduced to Rs.167.55 crore as on Jun 30, 2022, which used to be in excess of Rs.260 crore in the past. The company is expected to reduce it further in current fiscal by raising additional debt of Rs. 110 Cr. The company also has a comprehensive cane development plan which is expected to increase cane area and yield. Furthermore, company is planning to increase its distillery capacity from 100 KLPD to 125 KLPD in current fiscal and is expected produce ethanol directly from syrup. With higher distillery capacity and consequently higher sales of ethanol through the B heavy route, profitability is likely to improve thereby having a positive bearing on the capital structure going forward.

The company also has immediate plans to increase its B2B customer base by supplying high grade sugar to pharma and other food processing industries. It is already in advanced stage of taking necessary statutory approvals for various food licenses from Indian Pharmacopoeia and other likewise institutions. Catering to this segment, will further lead to an improved margins from the sugar segment. The company's ability to turnaround the performance of its sugar segment would remain a key monitorable.

Focus on reducing interest burden and deleveraging plans across the group through monetization of assets

ZIL along with its associates owns ~1000 acres of land and is in progress to monetize part of its land parcels, which would potentially help deleveraging the group. Further, ZIL is expecting recoupment of the loans and advances made to ZACL amounting to Rs. 306.88 Cr as on March 31, 2022 and is planning to repay its high-cost debt. The company has been able to reduce the interest burden as evident from Rs. 39.37 Cr of finance cost recorded during Q1FY23 (refers to the period from April 01, 2022 to June 30, 2022) as against Rs. 72.12 Cr in the Q1FY22 and is aiming to reduce it further by capitalizing on opportunities to refinance high-cost debt with debt having relatively lower interest rates. The company's ability to de-leverage at standalone as well as consolidated level will remain critical from credit risk perspective.

Substantial amount of equity investment – acting as a safety net
ZIL has an investment portfolio of Rs. 2,985.23 Cr as on March 31, 2022 (PY: Rs. 1,888.50 Cr) comprising of investments in group companies along with a portfolio of quoted investments. Of the total investments, the value of quoted investments as on March 31, 2022 stood at Rs. 2,761.11 Cr. The portfolio predominantly comprises of shares of Chambal Fertilizers and Chemicals Limited (CFCL), market value of which stood at Rs. 2,491.12 Cr as on March 31, 2022. The unpledged value of liquid investments in quoted shares is valued at more than Rs. 350 Cr which acts as a safety net for the company and provides adequate cushion. Part of these investments along with certain land parcels have been pledged against borrowings equivalent to ~Rs. 1,050 Cr as at March 31, 2022 in the books of the company and its subsidiaries, maintaining a security cover of more than 2 times. The entire NCDs of ZIL, carrying at Rs. 300.63 Cr as on March 31, 2022 are partly secured by mortgage of certain land parcels and partly by first ranking exclusive pledge over shares of CFCL held by ZIL and the shares of Gillette India Limited (GIL) held by Adventz Finance Private Limited (group company). Also, debt raised from various banks/ institutions are secured against the pledge of CFCL shares. The credit profile of the underlying entities, i.e., CFCL and GIL stood comfortable. The company has been able to raise debt against these investments at a lower rate of borrowings. Any significant decline in market price of the underlying securities will be a key rating monitorable.

Positive industry outlook by virtue of supportive government policies
Sugar sector is witnessing tailwinds from higher sugar prices and healthy ethanol demand (in order to achieve blending targets). The government of India has taken multiple measures over the past couple of years to check the fall in sugar prices, improve the cash flows of millers and aid them to clear cane dues. The measures include the fixation of a minimum selling price of sugar (increased to Rs 31/kg from Rs 29/kg in February 2019) and a regulated monthly release mechanism that have led to a recovery in sugar prices. The introduction of MSP and a rational increase in cane prices over the past few years has helped to reduce the volatility in cane arrears that were a common phenomenon earlier.
On June 5, 2021, the government advanced the ethanol blending target of 20% in petrol by five years, from 2030 to 2025, to reduce pollution and India's dependence on expensive crude oil imports. This move is expected to provide a boost to the sugar industry by encouraging more diversion of sugarcane and sugar towards ethanol, thereby reducing the sugar glut in India. The EBP (Ethanol Blending Programme) aims to increase the ethanol blend level with petrol to 20% by 2025 (advanced from 2030). To achieve this target, the government continues to incentivize ethanol by providing soft loans at subsidized interest rates for setting up or expanding distillery capacities, in addition to an increase in the procurement prices. With the sugar inventories getting rationalized, demand-supply balance evening out and considerable increase in ethanol sales, the cash flows of integrated sugar mills is going to enhance. ZIL is also aiming to divert its sugar syrup for production of ethanol, which is cash lucrative. With increased ethanol capacities & stable sugar prices, industry outlook remains stable over medium term.

Key rating weaknesses
Significantly high debt levels
In order to support the operations of its subsidiaries and associates, ZIL had raised significant debt along with debt for its SPE division, which resulted in overall long-term borrowings of ~Rs. 1079 Cr as of March 31, 2022 which has led to substantial debt repayment obligations to the tune of Rs. 127.53 Cr in FY23 and Rs. 150.53 in FY24. The loans so raised in the holding company (ZIL) have been extended to its downstream group entities in the form of loans & advances. The company has outstanding loans and advances of ~Rs. 601.78 Cr as on March 31, 2022 extended to related parties. ZIL has incurred huge finance cost of Rs. 195.96 Cr in FY22. However, strong market value of investments held by the company has enabled the company to refinance its high-cost debt at relatively lower rates, thereby reducing its finance cost. Company's ability to de-leverage or refinance the debt at lower interest cost will remain key credit monitorable.

Elongated operating cycle due to seasonality
Sugar industry being seasonal in nature has high working capital requirements during the peak season which is from November to April. The companies have high working capital requirements during the peak season to procure their primary raw material, i.e., sugarcane and manufacture sugar during this period. However, the company is forward integrated into cogeneration and distillery operations that de-risk the core sugar business of the company to some extent. The average working capital utilization at maximum level for the twelve months' period ended July 2022 stood high at 85.64%.

Vulnerability of operations to agro climatic conditions
Being an agro-based industry, performance of ZIL is dependent on the availability of sugarcane for crushing which may get adversely affected due to adverse weather conditions resulting into lower availability and diversion of cultivable lands to alternate crops.

Cyclical and regulated nature of sugar business
The industry is cyclical by nature and is vulnerable to the government policies for various reasons like its importance in the Wholesale Price Index (WPI) as it classifies as an essential commodity. The government on its part resorts to various 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 the sugar companies.

Industry risk of downstream companies
The company is exposed to the inherent risk pertaining to its subsidiaries and associates primarily in agro-chemicals, commodities, real estate, engineering, and infrastructure. Long-gestation infrastructure projects, dependence on government for approvals exposes the company to financial burden and related project delay cost. The commodity business exposes the group to unpredictable climatic conditions affecting the revenues and profitability.

Liquidity: Adequate
The company has adequate liquidity with free cash and bank balances of Rs. 15 Cr as on March 31, 2022. The company has term debt repayment obligations of Rs. 127.53 Cr in FY23 against which company is expected to generate sufficient cash accruals. Further, ZIL has proposed to raise debt of Rs. 110 Cr from banks which will provide further liquidity and reduce its cane dues before the upcoming sugar season, leading to improved procurement of canes. Access to additional income sources in the form of interest and dividend post-merger of GSML with ZIL, provides liquidity cushion to SPE division to some extent. ZIL also has liquid investments in the form of unpledged quoted investments market value for which stood at Rs. 366.34 Cr as on March 31, 2022. ZIL also has plans to monetize its land parcel which will result in additional cash inflows. Further, ZIL is expecting the recoupment of loans extended to ZACL in the current fiscal which is contingent upon monetization of assets in the latter. Amount so received will be used to repay high-cost debt including NCDs in the books of ZIL. NCDs outstanding as on March 31, 2022 stood at Rs. 300.63 Cr have bullet repayments due to be repayable in FY25. The company does not have any debt laden capex plans in the near future and the internal generation is expected to be sufficient to meet the routine capex requirement. Besides, being part of Adventz group, a large conglomerate, do provide cushion to the liquidity in the form of available financial flexibility.

Analytical approach: Standalone

Applicable criteria
Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Manufacturing Companies
Rating Methodology- Real Estate Sector
Sugar

About the company
Zuari Industries Limited (erstwhile Zuari Global Limited) is a publicly listed company and holding company of Mr. Saroj Kumar Poddar (son-in-law of Late Mr. K. K. Birla) led Adventz Group, a diversified conglomerate of 26 companies having diversified operations across four major industry verticals- Agriculture, Engineering & Infra, Lifestyle & Real Estate and Services. ZIL in its capacity as holding company principally earned interest income from loans & advances extended to group companies, dividend income from the large portfolio of investments it held and income from its completed real estate project (Zuari Rain Forest Phase-1, Goa), until April 30, 2022 when Gobind Sugar Mills Limited (GSML) was merged into ZGL (now ZIL).
Therefore, post-merger ZIL will also derive income from sugar plant with a cane crushing capacity of 10,000 TCD, an ethanol distillery of 100 KLPD (proposed to be increased to 125 KLPD in the current financial year) and a co-generation plant of 33 MW, which were earlier operational under GSML. Further, ZIL has also extended corporate guarantees to several subsidiaries to support their operations.

Brief financials of ZIL (Standalone): In accordance with the Scheme of Amalgamation, the comparative figures for all the presented years/periods have been restated in accordance with the aforesaid scheme and Indian Accounting Standards (IND AS) 103- Business Combinations:

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (UA)
Total operating income	892.94	765.49	217.61
PBILDT	198.34	170.76	30.67
PAT	69.44	15.30	(12.45)
Overall gearing (times)	0.64	0.42	NA
Interest coverage (times)	1.23	0.87	0.78

A: Audited; UA: Unaudited; NA: Not available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

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 along with Rating Outlook
Fund-based - LT-Term Loan		-	-	December 2026	218.49	CARE BBB-; Stable
Fund-based - LT-External Commercial Borrowings		-	-	July 2027	97.00	CARE BBB-; Stable
Fund-based - LT-Working Capital Limits		-	-	-	189.61	CARE BBB-; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	2.50	CARE A3
Non-fund-based - ST-Credit Exposure Limit		-	-	-	14.75	CARE A3
Fund-based-Long Term		-	-	-	99.65	CARE BBB-; Stable

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Debentures-Non-Convertible Debentures	LT	-	-	-	1)Withdrawn (24-Jun-21)	1)CARE BB (CE) (CWD) (06-Oct-20)	1)CARE BB (CE) (CWN) (31-Mar-20) 2)CARE BB (CE) (CWN) (20-Mar-20) 3)CARE BB (CE); Stable (24-Jul-19) 4)Provisional CARE BB (CE); Stable (12-Jul-19)
2	Debentures-Non-Convertible Debentures	LT	-	-	-	1)Withdrawn (24-Jun-21)	1)CARE BB (CE) (CWD) (06-Oct-20)	1)CARE BB (CE) (CWN) (31-Mar-20) 2)CARE BB (CE) (CWN) (20-Mar-20) 3)CARE BB (CE); Stable

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
								(16-Dec-19) 4)Provisional CARE BB (CE); Stable (22-Nov-19)
3	Un Supported Rating	LT	-	-	-	1)Withdrawn (24-Jun-21)	1)CARE BB (06-Oct-20)	-
4	Fund-based - LT-Term Loan	LT	218.49	CARE BBB-; Stable	-	-	-	-
5	Fund-based - LT-External Commercial Borrowings	LT	97.00	CARE BBB-; Stable	-	-	-	-
6	Fund-based - LT-Working Capital Limits	LT	189.61	CARE BBB-; Stable	-	-	-	-
7	Non-fund-based - ST-Bank Guarantee	ST	2.50	CARE A3	-	-	-	-
8	Non-fund-based - ST-Credit Exposure Limit	ST	14.75	CARE A3	-	-	-	-
9	Fund-based-Long Term	LT	99.65	CARE BBB-; Stable	-	-	-	-

*Long term/ Short term

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

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-External Commercial Borrowings	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working Capital Limits	Simple
4	Fund-based- Long Term	Simple
5	Non-fund-based - ST-Bank Guarantee	Simple
6	Non-fund-based - ST-Credit Exposure Limit	Simple

Annexure-5: Bank lender details for this company

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

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

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