

Coromandel Sugars Limited

March 27, 2025

Facilities/Instruments	Amount (₹crore)	Rating ¹	Rating Action
Long-term bank facilities	215.32	CARE BB+ (RWD)	Continues to be on Rating Watch with Developing Implications
Long-term / Short-term bank facilities	27.00	CARE BB+ / CARE A4+ (RWD)	Continues to be on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings for bank facilities of Coromandel Sugars Limited (CSL) were earlier placed on 'Rating Watch with Developing Implications' following the execution of a share purchase agreement by Coromandel Electric Company Limited (CECL) ultimate holding company, India Cements Limited (ICL) (CARE AAA; Stable/ CARE A1+) and Ultratech Cement Limited (UCL) (CARE AAA; Stable/ CARE A1+) for the acquisition of promoter stake in ICL. ICL was earlier holding 49.99% stake in CSL through CECL, and the remaining stake is held by other group company; Sri Saradha Logistic Private Limited. Ratings assigned to bank facilities of CSL continue to be on 'Rating Watch with Developing Implications' following the recent announcement by the erstwhile Group entity ICL on stock exchange where ICL Financial Services Limited and ICL Securities Limited (wholly owned subsidiaries of ICL) will divest their entire stake in CECL to Adam & Coal Resources Private Limited, a Chennai based company, engaged in import and trading coal. Upon completion of the aforesaid transaction, CECL will cease to be a subsidiary of ICL. Coromandel Sugars Limited in which CECL currently holds 49.99% stake, would also cease to be an associate of ICL. It is also noted that ICL Financial Services Limited and ICL Securities Limited, shall enter an agreement with Adam & Coal Resources Private Limited, the proposed buyer, upon finalisation of terms. CARE Ratings Limited (CARE Ratings) shall continue to monitor developments in this regard and would review ratings once the exact implications of the aforesaid transaction on CSL's credit profile are clear.

CSL's ratings continue to be constrained by its high gearing levels and susceptibility of revenue and profitability to cyclical and regulated sugar industry. However, ratings derive strength from the demonstrated track record of promoters in extending financial support towards repayments and working capital needs of CSL. Ratings further draw strength from its partly integrated operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving capital structure marked by improving overall gearing and debt coverage indicators on a sustained basis.
- Improving interest coverage indicators to 1.5x on a sustained basis.

Negative factors

- Significantly deteriorating operating margin with profit before interest, lease rentals, depreciation and tax (PBILDT) margin below 12% on a sustained basis.

Analytical approach: Standalone

Detailed description of key rating drivers:

Key weaknesses

Moderate scale and profitability

CSL recorded total operating income (TOI) of ₹297.03 crore in FY24 which declined by 8% on a year-over-year (y-o-y) basis from ₹328.32 crore in FY23 mainly due to decrease in sugar sales considering lower cane availability. Sugar sales dipped to ₹241 crore for FY24 against ₹281 crore in FY23 affected by lower recovery and cane availability. The dip in sugar was slightly offset by an increase in sale of molasses to ₹36.22 crore in FY24 against ₹28.60 crore in FY23 considering improved realisation due to buoyant demand for ethanol.

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

On the other hand, the company's PBILDT margin improved to 14.24% in FY24 from 12.36% in FY23 largely due to improved realisations in segments while the cost remained stable. However, the company reported losses at net level of ₹6.49 crore in FY24 owing to MAT credit entitlement.

Leveraged capital structure and weak coverage indicators

CSL's capital structure continues to be highly leveraged marked by overall gearing of 2.36x as on March 31, 2024, though slightly improved from 2.88x as on March 31, 2023, considering repayment of term loan and unsecured loan from related parties. The company's total debt has reduced to ₹275.2 crore as on March 31, 2024 (PY: ₹358.52 crore), majorly comprising of term loan of ₹125.09 crore and unsecured loan/ debentures from group companies of ₹129.60 crore. The company has also given loans and advances to group companies and accounting for this, the adjusted overall gearing stands at similar level at 2.38x as on March 31, 2024.

The coverage indicators also remain weak marked by total debt to gross cash accrual (TD/GCA) of 17.76x as on March 31, 2024, and interest coverage ratio of 1.32x.

Cyclical and regulated industry

The industry is cyclical and is vulnerable to the government policies for factors such as its importance in the wholesale price index (WPI) as sugar is classified as an essential commodity. The governments (union and state) resort to regulations such as fixing the raw material (sugarcane) prices in the form of fair and remunerative prices (FRP) and state advised prices (SAP). All these factors impact the cultivation patterns of sugarcane in the country and thus affect the profitability of the sugar companies. India also continues to carry high levels of sugar inventory largely due to the controlled release mechanism followed by the government.

Exposure towards agro-climatic risk

The sugar industry directly depends on the sugarcane crop and its yield is susceptible to agro-climatic risks including pest and diseases. Climatic conditions, more specifically monsoons, influence operational parameters for a sugar entity, such as the crushing period and sugar recovery levels.

Key strengths

Demonstrated support from the group

CSL has received support from the erstwhile promoter group entities; ICL and Coromandel Electric Company Limited (CECL). As on March 31, 2024, total unsecured loans from group companies stood at ₹129.60 crore (PY: ₹145.47 crore). As on March 25, 2025, total term loan outstanding is ₹106.03 crore. CSL had not received support from CECL since FY19. Going forward, considering the proposed sale of stake in CECL by ICL, the support received by CSL from group entities or promoters will be a key monitorable.

Partially diversified revenue stream

CSL has a partially diversified revenue stream, aided by additional income earned from the sale of molasses and generation of power from the co-gen plant. In FY24, CSL generated ~81% total income from the sale of sugar (PY: 86%), 12% from the sale of molasses (PY: 9%), 6% from the sale of power (PY: 5%) and remaining from other income (export incentives, interest and dividend income). The current level of diversification provides partial de-risking of the core sugar business from the inherent cyclicity and volatile sugar prices.

Relatively longer crushing period

CSL's command area has two major rivers including Cauvery and Hemavathy, and it is fed by canals and tube-wells. Generally, considering better cane availability, CSL's crushing period is longer. In FY24, CSL witnessed decline in cane crushing volumes to 5.87 lakh MT of sugarcane against 7.03 lakh MT in FY23. CSL's crushing volume has declined in the past year due to lower sugarcane yield in the command area and increase in the competition for procurement of cane from unreserved areas. The recovery rate stood at 9.51% in FY24 (PY: 9.58%), considering stable climatic conditions in the initial phase of the season and utilisation of high-yield varieties of cane.

Liquidity: Stretched

CSL's liquidity is stretched considering weak financial profile and in the past, comfort was derived from its parentage and group support, which may undergo change in light of recent announcement by ICL. CSL's GCAs are expected to remain in the range of ₹15-16 crore in the medium term, which are insufficient to meet the repayment obligations of close to ₹19-20 crore annually in FY26 and FY27. The company has sufficient liquidity in the form of working capital limits and, are unutilised to the extent of ₹68.2 crore, of the sanctioned limit of ₹127 crore and a free fixed deposit of ₹15 crore. The liquidity will further be supported through

expected sale of land property in company worth ₹18-20 crore in fiscal 2026. The company's average working capital utilisation was ~38% for the 12-month period ended June 2024.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Sugar Sector](#)

[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

CSL, earlier promoted by the India Cements group is engaged in the manufacture of sugar, molasses and also co-generation of power. Originally incorporated in 1996 under the name ICL Sugars Limited, its name was changed to CSL in 2007. CSL is an associate company of ICL with 49.99% ownership interest through its subsidiary Coromandel Electric Company Limited, and rest of the stake is held by other group company. The company commenced operations in August 1999 with an installed capacity of 2,500 tonnes crushed per day (TCD). Its production facility at Makkavalli, Mandya, Karnataka, has an installed capacity of 3,500 tonnes crushed per day (TCD) and a multi-fuel cogeneration power capacity of 30 MW as on March 31, 2024.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	296.18	328.32	297.03
PBILDT	31.12	40.60	42.29
PAT	-8.68	0.37	-6.49
Overall gearing (times)	3.71	2.88	2.36
Interest coverage (times)	0.84	0.99	1.32

A: Audited UA: Unaudited; 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-Cash Credit		-	-	-	80.00	CARE BB+ (RWD)
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE BB+ (RWD)
Fund-based - LT/ ST-Working Capital Limits		-	-	-	27.00	CARE BB+ / CARE A4+ (RWD)
Term Loan-Long Term		-	-	30-04-2029	115.32	CARE BB+ (RWD)

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	80.00	CARE BB+ (RWD)	1)CARE BB+ (RWD) (08-Oct-24) 2)CARE BB+ (RWD) (06-Aug-24)	1)CARE BB+; Negative (23-Feb-24) 2)CARE BB+; Negative (26-Sep-23)	1)CARE BB+; Negative (22-Mar-23) 2)CARE BBB-; Stable (08-Nov-22) 3)CARE BBB-; Stable (13-Jun-22)	1)CARE BBB-; Stable (15-Mar-22) 2)CARE BBB-; Stable (17-Aug-21) 3)CARE BBB-; Stable (08-Apr-21)
2	Fund-based - LT-Cash Credit	LT	20.00	CARE BB+ (RWD)	1)CARE BB+ (RWD) (08-Oct-24) 2)CARE BB+ (RWD) (06-Aug-24)	1)CARE BB+; Negative (23-Feb-24) 2)CARE BB+; Negative	1)CARE BB+; Negative (22-Mar-23) 2)CARE BBB-; Stable	1)CARE BBB-; Stable (15-Mar-22) 2)CARE BBB-; Stable

						(26-Sep-23)	(08-Nov-22)	(17-Aug-21)
							3)CARE BBB-; Stable (13-Jun-22)	3)CARE BBB-; Stable (08-Apr-21)
3	Fund-based - LT/ST-Working Capital Limits	LT/ST	27.00	CARE BB+ / CARE A4+ (RWD)	1)CARE BB+ / CARE A4+ (RWD) (08-Oct-24) 2)CARE BB+ / CARE A4+ (RWD) (06-Aug-24)	1)CARE BB+; Negative / CARE A4+ (23-Feb-24) 2)CARE BB+; Negative / CARE A4+ (26-Sep-23)	1)CARE BB+; Negative / CARE A4+ (22-Mar-23) 2)CARE BBB-; Stable / CARE A3 (08-Nov-22) 3)CARE BBB-; Stable / CARE A3 (13-Jun-22)	1)CARE BBB-; Stable / CARE A3 (15-Mar-22) 2)CARE BBB-; Stable / CARE A3 (17-Aug-21) 3)CARE BBB-; Stable / CARE A3 (08-Apr-21)
4	Term Loan-Long Term	LT	115.32	CARE BB+ (RWD)	1)CARE BB+ (RWD) (08-Oct-24) 2)CARE BB+ (RWD) (06-Aug-24)	1)CARE BB+ (CE); Negative (23-Feb-24) 2)CARE BBB- (CE); Negative (26-Sep-23)	1)CARE BBB (CE); Negative (22-Mar-23) 2)CARE A- (CE); Stable (08-Nov-22) 3)CARE A (CE); Negative (13-Jun-22)	1)CARE A (CE); Stable (15-Mar-22) 2)CARE A (CE); Positive (17-Aug-21) 3)CARE A- (CE); Positive (08-Apr-21)
5	Un Supported Rating-Un Supported Rating (Long Term)	LT	-	-	1)Withdrawn (06-Aug-24)	1)CARE BB+ (23-Feb-24) 2)CARE BB+ / CARE A4+ (26-Sep-23)	1)CARE BB+ / CARE A4+ (22-Mar-23) 2)CARE BBB- / CARE A3 (08-Nov-22)	1)CARE BBB- / CARE A3 (15-Mar-22)

							3)CARE BBB- / CARE A3 (13-Jun- 22)	
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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-Cash Credit	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple
3	Term Loan-Long Term	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:

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