Dalmia Bharat Sugar and Industries Limited

July 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	1,550.00	CARE AA+; Stable	Assigned
Short-term bank facilities	200.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has reaffirmed the short-term rating at 'CARE A1+' to bank facilities of Dalmia Bharat Sugar and Industries Limited (DBSIL). Ratings continue to derive strength from the company being a part of well-known and diversified 'Dalmia Bharat Group' having leadership position in sectors, such as cement and sugar, the company's long track record of efficiently running forward integrated sugar mills with bagasse-based cogeneration, molasses and grain-based distillery through its geographically diversified plants in two major cane-growing regions Uttar Pradesh (UP) and Maharashtra (MH) reflecting the company's ability to wither out the region-specific agro-climatic fluctuations and command better cane cost, power tariffs due to different pricing mechanism in both the states.

Ratings also factor in the company's comfortable financial risk profile backed by its healthy and growing scale of operations over the years and strong and industry leading operational efficiencies with robust gross recovery rates and healthy cash accruals. Company's mills are efficient with better recoveries due to presence in irrigated areas of Maharashtra having gross recovery rates of 13-14% and UP having gross recovery of 11-12%.

Ratings take note of the company's ability to successfully implement and ramp up the enhanced capacities though organic and inorganic route as evident from its expansion in the sugar segment, with crushing capacity increasing from 36,500 TCD in FY21 to 43,200 TCD in FY25, and in the distillery segment, where capacities grown from 305 KLPD in FY21 to 850 KLPD in FY25, including the recent consolidation of its Baghauli plant (formerly operated by Baghauli Sugar and Distillery Limited (BSDL), a wholly owned subsidiary of DBSIL). The acquisition, completed in December 2023, was followed by amalgamation with an appointed date of April 1, 2024. A 100-KLPD grain-based distillery unit at Baghauli is under implementation and expected to be commissioned within the next 1–2 months, taking the total distillery capacity to 950 KLPD. The acquisition also enhances DBSIL's regional integration by leveraging a 60,000-hectare command area, strengthening its feedstock security and operational scale.

DBSIL also enjoys strong financial flexibility by virtue of it being a part of the Dalmia Bharat Limited Group and the market value of its investments in the latter. CareEdge Ratings also takes cognisance of its strong operational performance in FY25, driven by higher volumes in both the distillery and sugar segments, and improved sugar realisations, which contributed to growth in revenue and operating profitability in FY25, despite headwinds from industry wide challenges. A recovery is anticipated in FY26, driven by improved operating conditions and favourable regulatory interventions. CareEdge Ratings expects DBSIL's credit metrics to remain strong with debt levels at comfortable level going forward as well, aided by continued firming of sugar realisations and improvement in profitability in distillery segment.

However, rating strengths are partially offset by the company's exposure to cyclical and seasonal sugar industry, working capital intensive operations given the seasonality in industry, and highly regulated by government with sugar being an essential commodity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- A material improvement in scale of operations accompanied by diversifying of its revenue streams and enhancement in its sugar and distillery capacities to gain market leading position, leading to a yearly cash accrual of over ₹800 crore on a sustained basis.
- Strong financial and credit risk profile along with total outside liabilities to tangible net worth (TOL/ TNW) to remain below 0.5x on a sustained basis.

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

Negative factors

- Any significant decline in operational metrics (cane yield, recovery, volumes, and prices among others) and material change in government policies that may adversely impact the financial risk profile of the company.
- Higher-than-envisaged debt-funded capex significantly impacting the debt protection metrics with TOL/TNW above 1x.
- Interest coverage below 8x on a sustained basis.

Analytical approach: Standalone

National Company Law Tribunal, Chennai has approved the merger scheme of Baghauli Sugar and Distillery Limited (BSDL) formerly a subsidiary of DBSIL, with DBSIL on April 25, 2025, with appointed day of April 1, 2024. Consequently, BSDL has been amalgamated with DBSIL, and the impact of the merger has been duly incorporated in the company's financial results for FY24 and FY25. In line with this development, the analytical approach has been revised from Consolidated to Standalone.

Outlook: Stable

Stable outlook reflects CareEdge Ratings' expectations that DBSIL's credit profile in near to medium term is likely to remain strongly intact with healthy cash flow generation supported by its efficient operations and its integrated business model. The financial risk profile is also expected to remain strong going forward.

Detailed description of key rating drivers:

Key strengths

Part of well-known Dalmia Bharat Group with long track record of operations

DBSIL is a part of well-known 'Dalmia Bharat Group'. DBSIL has a diversified lender base, and being a part of the Dalmia Bharat group, enhances DBSIL's access to banks and market for meeting its funding requirements. DBSIL holds equity investment in group entity 'Dalmia Bharat Limited', which is the listed entity (with market cap ~₹41,400 crore) and investment holding company for the group's cement business. DBSIL has outstanding (o/s) investment worth with fair value of ₹582 crore as on March 31, 2025, which constitutes ~18% of the company's net worth and this investment supports the company's financial flexibility.

Geographically diversified forward integrated operations, cushioning cyclicality in sugar business and reducing exposure to agro-climatic conditions in a particular region

DBSIL's operations are well integrated, with a presence across sugar manufacturing (43,200 TCD), bagasse-based cogeneration power (138 MW installed capacity), and distillery operations (950 KLPD), of which 100 KLPD is currently under CWIP and expected to become operational within the next 1–2 months. These operations are spread across six manufacturing units with four units in Uttar Pradesh (UP) and two in Maharashtra (MH), enabling revenue diversification as these two states have different sugarcane price regimes and partially insulating the company from the cyclicality inherent in core sugar business. The company's geographic presence in UP and MH, which together account for 70–80% of India's sugar production, also helps mitigate region-specific agro climatic risks on the overall performance. However, volatility in sugar production persists due to erratic rainfall and recent disease-related disruptions in high-yielding cane varieties, particularly in UP. The diversification has also benefitted the company's power operations as co-gen tariffs have been more lucrative in Maharashtra than in UP post 2019 tariff revision in UP.

In FY25, the sugar segment (including co-gen) remained the primary revenue driver, contributing ~67% of total revenue (PY: 61%) and 81% of EBIT (PY: 60%). The distillery segment accounted for ~32% of revenue (PY: 37%) and 17% of EBIT (PY: 36%), with margin contraction largely attributable to industry wide factors, lower grain-based ethanol profitability, higher cane costs leading to increased transfer pricing, static ethanol selling prices, and limited sugar diversion considering sugar diversion restrictions in ESY 2024.

Although the company's operations are moderately concentrated in the sugar segment, the contribution from ethanol/distillery is showing increasing trend and also assists in achievement of better profitability margins in the past. Moreover, all three segments; sugar, distillery, and co-gen; remain exposed to agrarian risks, including low cane yield and recovery rates, primarily driven by monsoon trends, which could adversely affect profitability and cash flows. Going forward, the company's ability to sustain healthy operational metrics across all business segments will remain a key monitorable from a credit perspective.

Growing scale of operations, strong operating efficiencies supporting improving profitability

DBSIL is one of the leading sugar manufacturers in India with a healthy and integrated business profile and a long track record of operations. In FY25, the company driven by growth in sugar and ethanol volumes, reported its highest-ever revenue of ₹3,755 crore, marking a 28.1% year-on-year growth. The company achieved all-time high domestic sugar sales volumes of 5.9 LMT (43% year-on-year growth), benefitting from allowance of sugar exports and leading to a significant reduction in year-end sugar inventory. Distillery sales volumes in FY25, also increased to 18.18 crore litres (~2% year-on-year growth). This was supported by capacity expansions, including the integration of the Baghauli plant, enhanced cane crushing capacity at Nigohi, and a full-year contribution from the expanded distillery capacity at Jawaharpur. Despite industry-wide headwinds in FY25, such as erratic rainfall, the spread of red rot disease in UP (resulted in lower production and recovery rates), input cost pressures due to higher fair and remunerative prices (FRP), and restrictions on ethanol diversion and non-availability of FCI rice (subsidised damaged food grain), DBSIL maintained operational stability by strategically intensifying its ethanol diversion policy. Net recovery rates stood at 10.0% in FY25 (9.16% in Uttar Pradesh and 11.81% in Maharashtra), marginally adjusting from 10.6% (9.86% and 12.76%, respectively) in FY24, impacted by B-Heavy and juice diversion restrictions and crops impacted by red rot in UP, though indicating stable operational efficiency. However, this topline growth did not translate into proportional bottom-line performance due to input cost pressures and regulatory headwinds.

Profit before interest, lease rentals, depreciation and taxation (PBILDT) margin declined to 12.76% in FY25 from 15.18% in FY24, primarily due to lower recoveries compared to FY24, high input/ cane costs, restrictions on sugar exports, reduced high-margin molasses-based ethanol production, limited distillery operations in ESY 2024, and the switch to lower-margin maize after the discontinuation of FCI rice in July 2023. Despite these pressures, absolute PBILDT increased from ₹445 crore to ₹479 crore, while profit after tax (PAT) rose significantly from ₹272 crore to ₹387 crore, aided by deferred tax benefits. Gross cash accruals (GCA) also remained healthy at ₹479 crore in FY25, up from ₹397 crore in FY24.

Looking ahead, DBSIL is expected to benefit from improving industry dynamics and regulatory support. Key developments, including the lifting of the ethanol diversion ban, the renewed availability of FCI rice, and the allocation of export quotas, are likely to ease operational constraints. Sugar prices have begun to firm up, which should support margin expansion. However, cane distillery profitability continues to face headwinds due to no price increase for BH and Juice-based Ethanol. Overall, DBSIL’s profitability is expected to improve in FY26, supported by better operating conditions, improved feedstock availability, and sustained demand for both sugar and ethanol. The company’s ability to enhance its profitability and cash accruals while navigating regulatory and agro-climatic risks will remain a key monitorable going forward.

Comfortable financial risk profile with strong capital structure and coverage indicators
DBSIL’s financial risk profile remains comfortable, supported by a strong net worth base of ₹3,214 crore as on March 31, 2025 (up from ₹2,913 crore as on March 31, 2024), against low term debt exposure and a decline in total debt outstanding to ₹1,044 crore as on March 31, 2025, from ₹1,430 crore as on March 31, 2024. The reduction was owing to lower working capital borrowings with company’s efficient management, and despite continued elevated sugar inventory levels. DBSIL’s sugar inventory rose sharply from 2.1 lakh metric tonnes (LMT), valued at ₹681 crore in FY23, to 4.3 LMT (₹1,362 crore) in FY24. It declined marginally to 3.8 LMT (₹1,293 crore) in FY25 with higher sales of sugar. Although the WC gap remained elevated, working capital borrowings were more than halved, dropping from ₹1,043 crore in FY24 to ₹465 crore in FY25. This trend reflects the seasonal nature of WC requirements, which typically peak between January and June before normalising. The temporary rise in WC borrowings is viewed as industry-aligned, driven by the need to manage sugar stock in line with quota-based regulations.

In FY24 and FY25, DBSIL undertook capex and acquisitions exceeding ₹500 crore, funded partly through a mix of term loan and internal accruals. As a result, term debt increased from ₹401 crore as on March 31, 2023, to ₹579 crore as on March 31, 2025 (₹387 crore as on March 31, 2024). The company's ability to manage its leverage through internal accruals with sufficient cash generating ability of its operations has helped maintain a sound financial profile. Higher-than-envisaged debt-funded capex in the future could impact the company's debt protection metrics and remains a key monitorable.
Overall, DBSIL’s gearing remains comfortable at 0.32x as on March 31, 2025, compared to 0.49x in the previous year. Debt coverage indicators also remain robust, with total debt /PBILDT improving to 2.18x in FY25 (from 3.21x in FY24) and interest coverage remains at a healthy level of 7.61x (8.92x in FY24).

Given its low overall gearing and net debt to PBILDT of 1.44x for FY25 (2.03x for FY24), and significantly lower WC borrowings in the post-March period (net debt to PBILDT dropping to 0.1x as of September 30, 2024, and nil working capital borrowings utilisation on current date), DBSIL has adequate headroom to raise additional debt, if required, for future capex plans without materially affecting its credit profile.

Key weaknesses

Cyclical and regulated sugar industry
The sugar industry is cyclical and is vulnerable to government policies for reasons like its importance in 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 cultivation patterns of sugarcane in the country and thus affect profitability of sugar companies. DBSIL’s profitability, and other sugar mills, continue to remain vulnerable to the state government’s policy on cane prices. Thus, the company’s performance can be impacted by disproportionate increase in cane price in a particular year. Profitability remains vulnerable to the government’s policies on exports, MSP, and remunerative ethanol prices. In addition, cyclicality in sugar production results in volatility in sugar prices. However, sharp contraction in sugar prices is curtailed after MSP’s introduction by central government in June 2018. Healthy exports and higher diversion of sucrose towards ethanol in the recent years resulted in favourable demand supply dynamics in the country, thus resulting in improved realisations across the industry. Over the long term, higher ethanol production with increased diversion towards B-heavy molasses and direct sugar juice by the industry is expected to help in curtailing the excess supply of sugar, resulting in lower volatility in sugar prices and cash flows from the sugar business. DBSIL has fared well and aptly sustained industry downturns and further also commands better cane prices due to plants being in two leading cane growing regions.

Working capital intensive operations
The sugar industry being seasonal in nature has high working capital requirements in the peak season, which is from November to April, to procure their primary raw material, sugarcane and manufacture sugar in this period. The average working capital utilisation for the 12 months period ended March 31, 2025, stood at 28% against total sanctioned limit of ₹1,250 crore leaving adequate buffer in form of unutilised limits to absorb fluctuation in demand and prices.
DBSIL has closing sugar inventory of 3.8 LMT as on March 31, 2025, down from 4.26 LMT as on March 31, 2024 valuing to ₹1293 crore (PY: ₹1,362.05 crore) leading to continued elevated average inventory holding of 195 days as on March 31, 2025 and 210 days as on March 31, 2024, compared to 151 days as on March 31, 2023 and operating cycle also elongated to 168 days as on March 31, 2025, slightly down from 172 days as on March 31, 2024, but remains high from 134 days as on March 31, 2023.

Liquidity: Strong
DBSIL continues to have strong liquidity, as characterised by cash and cash equivalent of ₹356 crore as on March 31, 2025 (₹429 crore as on March 31, 2024) against working capital borrowings of ₹465 crore (down from ₹1043 crore as on March 31, 2024) and continued healthy cash accrual expectations of over ₹450 crore (₹479 crore of GCA achieved in FY25). This provides comfortable coverage against modest debt repayment obligations of ~₹65 crore in FY26 and with no major capex planned in the near term, the internal accruals are expected to comfortably support operational and financial requirements.

DBSIL's fund-based working capital limits of ₹1,250 crore remained low, with average utilisation at 28% over the 12 months ending March 2025, reflecting adequate buffer to meet seasonal or unforeseen requirements. The seasonal nature of the sugar industry leads to elevated working capital requirements in the crushing season, peaking around March. However, with liquidation of sugar inventory post-season, working capital borrowings have currently reduced to nil, and the company holds a cash balance of ₹240 crore as of the latest date.

In addition, DBSIL's strategic investment in group entity Dalmia Bharat Limited (DBL), valued at ~₹582 crore as on March 31, 2025 (₹621 crore as on March 31, 2024), equivalent to a 1.71% stake, further strengthens its financial flexibility.

Environment, social, and governance (ESG) risks: Not applicable

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 & other products	Sugar

DBSIL is a part of the Dalmia Bharat Group and was incorporated in 1951. The company went into business in 1994 following the establishment of a 2,500-TCD capacity sugar mill in Ramgarh (Sitapur district, Uttar Pradesh). Now, the company has expanded its footprint significantly across two cane-growing states, UP and Maharashtra. DBSIL is an integrated sugar manufacturing company with presence into sugar, ethanol, and cogeneration. It operates through its six manufacturing plants in UP and Maharashtra, with aggregate installed capacities of 43,200 TCD, 950 KLPD (out of which 100 is CWIP of BSDL), and 138 MW, respectively.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	2,932.37	3,755.46
PBILDT	445.07	479.29
PAT	272.47	386.75
Overall gearing (times)	0.49	0.32
Interest coverage (times)	8.92	7.61

A: Audited; 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		-	-	-	872.50	CARE AA+; Stable
Non-fund-based - ST-BG/LC		-	-	-	200.00	CARE A1+
Term Loan-Long Term		-	-	December, 2037	677.50	CARE AA+; Stable

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 2025-2026	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
1	Non-fund-based - ST-BG/LC	ST	200.00	CARE A1+	-	1)CARE A1+ (03-Oct-24)	-	-
2	Term Loan-Long Term	LT	677.50	CARE AA+; Stable				
3	Fund-based - LT-Cash Credit	LT	872.50	CARE AA+; Stable				

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	Non-fund-based - ST-BG/LC	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated: Not applicable

Note on complexity levels of rated instruments: CareEdge 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.

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About us:

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