

## Uttam Sugar Mills Limited

September 24, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	895.47	CARE A; Stable	Upgraded from CARE A-; Positive
Short-term bank facilities	27.00	CARE A1	Upgraded from CARE A2+

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has upgraded ratings assigned to bank facilities of Uttam Sugar Mills Limited (USML) at "CARE A; Stable" and "CARE A1". Rating revision factors in improvement in the company's overall earnings profile in H2FY25, which continued in Q1FY26, after a subdued performance in H1FY25, impacted due to industry-wide factors. Lifting of ban on diversion towards ethanol effective November 01, 2024, the resultant higher contribution coming from distillery segment, better operating efficiencies, and benefits accruing from the recently completed energy efficiency programs, leading to low steam consumption and higher bagasse saving, resulted in improved profitability in H2FY25. This is expected to continue going forward as well. In FY25 overall, there was a moderate decline in profitability due to industry-wide factors including impact of red rot infestation and corresponding lower recoveries, lower sugar sales quota, ban on diversion, and flat ethanol prices.

Recovery is anticipated in FY26, driven by improved operating conditions and favourable regulatory interventions, as visible in y-o-y improvement in Q1FY26 results with growth in performance expected to continue in Q2FY26 as well, due to lifting of ban on diversion of B-Heavy Molasses for production of ethanol and availability of sufficient sugar inventory levels. CareEdge Ratings expects USML's credit metrics to improve with debt levels at comfortable level going forward with no major capex plans, resulting in net debt to profit before interest, lease rentals, depreciation and taxation (PBILDT) of ~2.8-3.0x at FY26 end (against 3.7x at FY25 end), and well-aided by continued strong sugar realisations and improvement in profitability in distillery segment.

CareEdge Ratings also take note of the company's adequate liquidity profile marked by sufficient internal accruals generation and unsold inventory of ₹630 crore as on June 30, 2025, which on realisation, would support its financial risk profile.

Ratings continue to derive strength from its experienced promoters having long track record of operations in sugar industry and the company's integrated operations with presence in sugar, bagasse-based cogeneration and multi feed distillery (and its subsidiary Uttam Distilleries Limited [UDL]) through geographically distributed manufacturing units in Uttar Pradesh and Uttarakhand, reflecting the company's ability to efficiently wither out the industry cyclicity.

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

- The company's ability to improve operating profitability on a sustained basis such that gross cash accruals (GCA) in the range of ₹250 crore
- Improvement in total outstanding liabilities to tangible net worth (TOL/TNW) below 1x on a sustained basis.

#### Negative factors

- Adverse changes in government policies significantly affecting operations and cash flows, resulted in increase in TOL to TNW beyond 1.6x or Net Debt/ PBILDT to over 4.0x on a sustained basis.
- Decline in profitability marked by PBILDT margin falling below 10% on a sustained basis.

### Analytical approach: Consolidated

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

For analysing USML, consolidated financials have been considered due to the presence of a common management, operational and financial linkages with the subsidiary UDL. Entities considered in consolidation are mentioned under Annexure-6.

### **Outlook: Stable**

Stable outlook reflects CareEdge Ratings' expectations that USML's credit profile in the near-to-medium term is likely to remain comfortable with healthy cash flow generation supported by its efficient operations and its integrated business model against no major capex commitments. The financial risk profile is also expected to remain adequate going forward.

### **Detailed description of key rating drivers:**

#### **Key strengths**

##### **Forward integrated operations with healthy business risk profile**

USML's operations are forward integrated with bagasse-based cogeneration power of 122 MW and muti feed distillery of 340 KLPD (addition of 40KLPD grain-based distillery on acquisition of UDL in July 2024) as on June 30, 2025, which provide alternate revenue streams and acts as a cushion against the cyclicity inherent in core sugar business to a large extent. Currently, USML operates four manufacturing plants across Uttar Pradesh (UP) and Uttarakhand, namely Libberheri (Roorkee, Uttarakhand), Barkatpur (Bijnor, UP), Khaikheri (Muzaffarnagar, UP) and Shermau (Saharanpur, UP) with an overall aggregate crushing capacity of 27,000 TCD as on June 30, 2025.

USML's sugar recovery (on C-Heavy) has been continuously high and stood at 11.58% in FY23, 11.56% in FY24 and 11.28% in FY25. FY25 was impacted with lower recoveries across the industry, however, USML was able to achieve considerable operating profitability against other sugar players owing to cane development activities undertaken such as regular seed development with seed rotation, replacement activities (CO0118, adopted in 2017-18, with almost similar yield) and adoption of wider space planting.

In SS23-24 (SS refers to the sugar season from October-September), the government restricted diversion of sugar syrup and B-heavy molasses towards ethanol production which restricted ethanol's sales to 675 lakh litres in FY25 against a much higher anticipated volume. Operational metrics across segments are expected to improve owing to removal of restriction on diversion of sugar syrup and B-heavy molasses towards ethanol for SS24-25 and better cane availability with above normal rainfall in the operating regions.

In FY25, the sugar segment remained the primary revenue driver, contributing ~76% of total revenue (PY: 79%) and 80% earnings before interest and taxation (EBIT; PY: 76%). The distillery segment accounted for ~20% revenue (PY: 16%) and 16% of EBIT (PY: 19%), 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 ethanol supply year 2024 (ESY refers to Ethanol Supply Year from November-October). 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.

##### **Experienced promoters with long track record of operations in Sugar Industry**

USML is managed by Raj Kumar Adlakha, Managing Director, who has over 35 years of experience in the sugar industry. He is supported by a team of professionals across finance, manufacturing, distribution, and marketing.

The company caters to institutional (high volume, accounted for 33% of sales), retail (high margin, 5% of sales), and direct sales (~62% of sales), providing a balanced mix. The company is focusing on expanding its high margin branded and speciality sugar from currently 18% to 30% in the next few years. Overall, seasonality in the sugar business is cushioned through a healthy mix of revenue streams, customers segmentation and geographical diversification.

##### **The company's profitability to improve in FY26 with visible improving trends in Q1FY26**

Due to erratic monsoon and other industry-wide issues, lower cane crushing, the recovery declined, which and restriction on diversion of B-Heavy Molasses lead to moderation in total operating income (TOI), excluding UDL, to ₹1,793 crore in FY25, a decline of ~12% compared to ₹2,047 crore in FY24. PBILDT Margins, excluding UDL, declined to 12% in FY25 (against 12.99% in FY24 and 11.89% in FY23) owing to industry wide factors, though supported by improved realisations from sugar (domestic and exports). TOI and PBILDT margin on consolidated basis stood at ₹ 1,846 crore and 11.54% in FY25.

However, as restriction on diversion was lifted, and relaxation in regulations imposed, TOI in Q1FY26, excluding UDL, increased to ₹605 crore with PBILDT margin of 8.43%, compared to TOI of ₹454 crore and PBILDT margin of 7.71% in Q1FY25, considering higher ethanol production, higher inventory of sugar and higher realisations indicating improved performance. TOI and PBILDT margin on consolidated basis stood at ₹630 crore and 8.25% in Q1FY26.

Going forward, with improvement as envisaged in FY26 largely driven by improvement in distillery segment, as visible in the performance of Q1FY26, supported by better realisations and production volumes in sugar segment, with growth anticipated in Q2FY26 as well, CareEdge ratings expects the PBILDT to grow to 11.70%-11.90% in FY26. However, increase in FRP prices with almost static ethanol selling prices, is expected to partially offset the profitability margins. Lower recoveries/ yields with introduction of new crops for the replacement of CO0238 variety or continued infestation, as happens in FY25, may impact profitability and is a key rating driver.

### **Comfortable financial risk profile and healthy credit metrics**

Inherent to the sugar industry, working capital requirements peak in the crushing season. Of the total debt of ₹851 crore on a consolidated basis, ₹720 crore pertains to short-term borrowings. Despite seasonal impact, the capital structure remained comfortable with overall gearing as on March 31, 2025, at 1.03x (March 31, 2024: 1.13x), owing to the high net worth base of the company, which increased from ₹568 crore in FY23 to ₹821 crore in FY25 on standalone basis and ₹906 crore in FY25 on consolidated basis. Debt coverage indicators remain healthy with interest cover at 3.76x (consolidated) and 3.99x (standalone) in FY25 compared to 4.77x (standalone) in FY24. Net debt/PBILDT stood at 3.97x (consolidated) and 3.66x (standalone) in FY25 compared to 2.93x (standalone) in FY24. Going forward, with improvement in profitability and expectations of lower working capital borrowing with reduction in inventory, CareEdge Ratings expects net debt to improve to ~2.8-3.0x by FY26-end and not to increase beyond this range going forward. In the long term, higher ethanol production with increased diversion towards B-heavy molasses and direct sugar syrup is expected to help curtail excess sugar supply, resulting in lower volatility in sugar prices and cash flows from the sugar business.

### **Key weaknesses**

#### **Cyclical and regulated sugar industry**

The industry is cyclical and vulnerable to government policies due to its inclusion in the wholesale price index (WPI) as an essential commodity. The government regulates raw material prices through state advised prices (SAP) and fair and remunerative prices (FRP), which influence sugarcane cultivation patterns and profitability. USML's profitability remains exposed to central and state government policies on cane prices, and performance may be impacted by disproportionate increases in cane prices in a particular year. Profitability also remains vulnerable to government policies on exports, minimum support price (MSP), and remunerative ethanol prices. Cyclicalities in sugar production results in price volatility. However, sharp contractions in sugar prices have been curtailed since the introduction of MSP by the central government in June 2018. Healthy exports and higher diversion of sucrose towards ethanol in recent years have resulted in favourable demand-supply dynamics, leading to improved realisations across the industry.

#### **Working capital intensive operations**

Seasonal nature of the sugar industry leads to high working capital requirements from November to April, when companies procure sugarcane and manufacture sugar. As inventory is sold, working capital pressure gradually subsides.

Average working capital utilisation for 12 months ended March 31, 2025, stood at 84% against total sanctioned limit of ₹905, which is in line with the sugar industry. USML's sugar inventory rose sharply from 2.13 lakh metric tonnes (LMT), valued at ₹675 crore in FY23, to 2.35 LMT (₹790 crore) in FY24 and 2.54 LMT (₹908 crore) in FY25 owing to lower allocation of sugar quota in FY25. Due to the elevated inventory levels, the working capital borrowings increased though remains modest, which is visible in the improved overall gearing ratio of 1.03x for FY25.

Working capital borrowings on a standalone basis stood at ₹511 crore, ₹649 crore and ₹696 crore as at end of FY23, FY24 and FY25 respectively. As on June 30, 2025, the sugar inventory stood at ₹630 crore with working capital borrowings of ₹458 crore.

Going forward, USML's dependence on borrowings and its ability to fund working capital requirements through internal accruals will remain a key monitorable.

### **Liquidity: Adequate**

Liquidity remains adequate, supported by cash accruals of ~₹138 crore in FY25 (₹177 crore in FY24). Sugar companies experience high working capital utilisation from November to April due to the requirement to clear cane arrears within 14 days, while sugar

inventory is sold throughout the year. Cash and cash equivalents stood at ₹4.8 crore as on March 31, 2025. The company has sanctioned cash credit limits of ₹905 crore, with average utilisation of ~84% and ₹720 crore utilised as on March 31, 2025. Sugar inventory stood at ~₹908 crore as on March 31, 2025, which, when realised, will ease liquidity. As on June 30, 2025, working capital utilisation and inventory stood at ₹458 crore and ₹630 crore, respectively. CareEdge Ratings also continues to take note of the Uttarakhand State Government Soft Loan, which was provided as financial assistance to fund the difference between SMP and SAP. The loan remains unpaid since 2011 due to non-recovery by the government and has been reported in the audit report for several years. Loan amount per financials is ~₹7 crore. While the management does not foresee crystallisation of this liability, sufficient funds are available with the company to repay the loan, if required.

**Assumptions/Covenants:** Not applicable

**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](#)

[Consolidation & Combined Approach](#)

### 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

The company's erstwhile promoters, M K Swarup and family, incorporated Associated Sugar Mills Limited on October 04, 1993. Raj Kumar Adlakha and family and associates acquired the company in October 1998. The company was later renamed USML. The company is engaged in manufacturing sugar, ethanol and cogenerated power. It has four sugar plants, one in Uttarakhand and three in Uttar Pradesh. The company also has one subsidiary, UDL, which operates one distillery unit in Uttarakhand. As on June 30, 2025, the company has an aggregate sugarcane crushing capacity of 27,000 tonne cane per day (TCD), cogeneration capacity of 122 megawatt (MW), and ethanol production capacity of 390 kilolitre per day (KLPD; including UDL).

Brief Financials (₹ crore) (Consolidated)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	2047	1846	605
PBILDT	215	213	51
PAT	91	86	16
Overall gearing (times)	1.13	1.04	NM
Interest coverage (times)	4.77	3.76	2.56

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		-	-	-	850.00	CARE A; Stable
Fund-based - LT-Term Loan		-	-	December 2028	45.47	CARE A; Stable
Non-fund-based - ST-BG/LC		-	-	-	27.00	CARE A1

**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	Fund-based - LT-Term Loan	LT	45.47	CARE A; Stable	-	1)CARE A-; Positive (11-Dec-24) 2)CARE BBB+; Positive (05-Jun-24)	1)CARE BBB+; Positive (19-Feb-24) 2)CARE BBB+; Stable (05-Jul-23)	1)CARE BBB; Stable (26-Sep-22)
2	Fund-based - LT-Cash Credit	LT	850.00	CARE A; Stable	-	1)CARE A-; Positive (11-Dec-24) 2)CARE BBB+; Positive (05-Jun-24)	1)CARE BBB+; Positive (19-Feb-24) 2)CARE BBB+; Stable (05-Jul-23)	1)CARE BBB; Stable (26-Sep-22)
3	Non-fund-based - ST-BG/LC	ST	27.00	CARE A1	-	1)CARE A2+ (11-Dec-24) 2)CARE A2 (05-Jun-24)	1)CARE A2 (19-Feb-24) 2)CARE A2 (05-Jul-23)	1)CARE A3+ (26-Sep-22)

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

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Annexure-6: List of entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Uttam Distilleries Limited	Full	Subsidiary

**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](mailto:care@careedge.in) for clarifications.

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