

DCM Shriram Industries Limited

October 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	598.29 (Enhanced from 585.87)	CARE A+ (RWN)	Continues to be on Rating Watch with Negative Implications
Short-term bank facilities	155.92	CARE A1+ (RWN)	Continues to be on Rating Watch with Negative Implications
Fixed deposit	15.00	CARE A+ (RWN)	Continues to be on Rating Watch with Negative Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings for bank facilities and instruments of DCM Shriram Industries Limited (DSIL) remain on Rating Watch with Negative Implications, with the long-term rating at CARE A+ and the short-term rating at CARE A1+. The watch continues to reflect pending outcome of the company's proposed Composite Scheme of Arrangement, which is currently before the Honourable National Company Law Tribunal (NCLT) for final approval. Under the scheme, the company's two business segments including chemicals and rayon (including defence and engineering projects) will be demerged into two separate entities on a going concern basis. The balance sugar, alcohol and power businesses will remain housed within DSIL. Post restructuring, DSIL will primarily operate in the sugar and alcohol segment, which may result in a reduced operating scale and loss of diversification benefits currently derived from its chemical and rayon businesses.

In FY25 (refers to April 01 to March 31), DSIL's operating income remained stable at ₹2,062.54 crore compared to ₹2,095.50 crore in FY24. In FY25, revenue mix shifted as contribution of sugar, ethanol and power segments increased to 51.33% from 46.10% in FY24, while the share of industrial fibres segment declined to 27.58% from 33.44%. Chemical segment remained steady, accounting for 21.09% of revenue in FY25. Profitability moderated, with operating margins reducing to 10.18% in FY25 from 11.32% in FY24, due to lower fibre volumes, softer chemical realisations and higher input and freight costs, partly offset by better performance in sugar segment.

Ratings continue to derive comfort from DSIL's long operating track record, diversified revenue streams across three segments in pre-demerger structure, and comfortable financial risk profile with improved gearing supported by accretion to reserves and debt repayments. However, strengths are tempered by inherent cyclicity of sugar and alcohol business, vulnerability to agro-climatic factors, exposure to government policies on sugarcane pricing and ethanol blending, and working capital intensive operations. CARE Ratings Limited (CareEdge Ratings) will continue to monitor the scheme's progress and its impact on the company's operational and financial profile, and the watch will be resolved once the scheme receives final approval and clarity emerges due to this demerger on the company's credit profile.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- The company's ability to increase its scale of operations on a sustained basis and improving profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins to 12% on a sustained basis.
- Ability to improve capital structure marked by overall gearing of less than 0.50x on a sustained basis.

Negative factors

- Overall gearing greater than 1x on a sustained basis.
- Total debt to earnings before interest, taxation, depreciation, and amortisation (TD/EBITDA) over 4x on a sustained basis.

Analytical approach: Standalone

Outlook: Not applicable

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

Detailed description of key rating drivers:

Key strengths

Diversified segment contributions

In FY25, DSIL reported total operating income (TOI) of ₹2,062.54 crore, marginally lower than ₹2,095.50 crore in FY24. The decline was primarily due to reduced sales in the industrial fibre segment, which fell to ₹573.68 crore from ₹687.11 crore in FY24. This was partly offset by higher sales in sugar, alcohol and power segment, which increased to ₹1,048.62 crore from ₹982.97 crore.

Profitability moderated, with operating margins reducing to 10.18% in FY25 from 11.32% in FY24, mainly due to lower fibre volumes, higher input costs such as caustic soda, sulphur and sulphuric acid, and higher logistics expenses driven by ocean freight charges. In addition, weaker realisations in the chemical segment impacted margins, though improved sales volumes and realisations in the sugar segment provided partial support.

Despite these pressures, the business profile continues to reflect diversification across segments. The share of sugar, ethanol and power in total revenue increased to 51.33% in FY25 compared to 46.10% in FY24, while the industrial fibre segment contributed 27.58% (33.44% in FY24) and the chemical segment remained stable at 21.09% (20.46% in FY24). CareEdge Ratings notes that the ongoing operational restructuring will lead to a narrower scale and reduced diversification going forward.

Comfortable financial risk profile

DSIL's capital structure remained comfortable in FY25 and improved marginally, with the long-term debt-to-equity ratio reducing to 0.08x (PY: 0.13x) and the overall gearing ratio improving to 0.64x (PY: 0.75x) as on March 31, 2025. Total debt declined to ₹582.39 crore from ₹597.20 crore, aided by scheduled repayments undertaken by the company. DSIL has also extended a corporate guarantee of ₹17 crore for a loan availed by its wholly owned subsidiary, DCM Shriram International Limited, for the purchase of immovable properties. Adjusting for this, the gearing ratio stood at 0.66x as on March 31, 2025.

The financial risk profile is expected to remain adequate, supported by steady cash accruals and consistent accretion to reserves. However, the sugar business, which will form DSIL's core post restructuring, inherently has higher working capital requirements, which may result in moderate leverage levels. CareEdge Ratings will continue to monitor developments under the Composite Scheme of Arrangement and will take appropriate rating actions once greater clarity emerges on its impact on the capital structure and financial profile.

Key weaknesses

Working capital intensive operations

The sugar industry, being inherently seasonal, experiences high working capital requirements in the peak season from November to April. DSIL faces significant working capital needs in this period to procure its primary raw material, sugarcane, and manufacture sugar. However, it has mitigated this risk by substantially reducing dependence on the sugar segment. Over the 12 months ending May 31, 2025, the average utilisation of working capital limits remained comfortable at ~71%, with a sufficient buffer provided by unutilised working capital facilities.

Average inventory holding days increased to 153 days in FY25 from 137 days in FY24. The closing inventory of sugar stood at ~₹491.77 crore as on March 31, 2025, marginally lower than ₹504.17 crore as on March 31, 2024. While the inventory level is below FY24, it remains higher than FY23, primarily due to stock carried forward from the previous year and absence of exports in FY25.

Exchange rate fluctuation risk

DSIL remains exposed to foreign exchange risk considering the contribution of exports from its chemical and rayon segments, which accounted for ~26.76% TOI in FY25 compared to 31.80% in FY24. The company primarily exports to Europe, China, Japan and Poland, while it imports wood pulp from the United States for the rayon division.

The company manages its exposure through a combination of natural hedging and forward contracts. As on March 31, 2025, DSIL's total foreign currency exposure stood at ~₹218 crore, of which ₹48.47 crore was unhedged, ₹19.74 crore was hedged through forward contracts, and the balance was covered by natural hedges. In FY25, the company reported foreign exchange gains of ₹10.95 crore compared to ₹12.60 crore in FY24. Total foreign exchange earned during the year amounted to ₹590.98 crore, while utilisation stood at ₹247.68 crore.

Vulnerable to agro-climatic risks, cyclical and regulated nature of sugar business

The sugar industry is inherently cyclical and highly sensitive to government policies, owing to its classification as an essential commodity and its significant weight in the wholesale price index (WPI). In this context, the government frequently intervenes through regulatory measures such as setting raw material prices through state advised prices (SAP) and fair and remunerative prices (FRP). These interventions influence sugarcane cultivation patterns across the country and impact the profitability of sugar companies.

DSIL and other Uttar Pradesh-based sugar mills' profitability remains particularly exposed to fluctuations in state government policies related to cane pricing. Disproportionate increase in cane prices in any given year could adversely impact DSIL's financial performance. Profitability also remains sensitive to central government policies related to exports, minimum selling price (MSP) and remunerative pricing for ethanol.

Liquidity: Adequate

The liquidity position of DSIL remains adequate, supported by stable cash accruals from its diversified operations. Inventory levels remain elevated due to the seasonal nature of the sugar business, where crushing takes place in November-April and sales are spread across the year. Average utilisation of working capital limits stood comfortable ~71% for the 12 months ended May 31, 2025, for all divisions combined, while utilisation for the sugar division alone was higher at 83.93%. In FY25, DSIL generated cash accruals of ~₹140 crore and maintained liquidity buffers in the form of mutual fund investments of ₹32.28 crore and unencumbered cash and bank balances of ₹11.46 crore as on June 30, 2025. The company is expected to generate similar level of accruals in FY26 against debt repayment obligations of ~ ₹39 crores. These factors provide adequate coverage for near-term obligations and working capital requirements.

Going forward, the ability to manage high working capital intensity of the sugar business, maintain timely realisations from ethanol sales and other receivables, and sustain adequate liquidity buffers will remain a key monitorable.

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 and other products	Sugar

DSIL is a part of Dr Bansi Dhar Group, formed after the restructuring of the DCM Group in 1990. DSIL is currently engaged in manufacturing sugar, alcohol, organics/fine chemicals, and industrial fibre. It has two integrated manufacturing plants, Daurala Sugar Complex and Daurala Organics in Daurala, Meerut (Uttar Pradesh) with daily throughout of 12,500 tonnes of sugarcane crushed per day (TCD), distillery with a capacity of 215 KL per day, co-generation power plant with the power capacity of 94 MW and organic/ fine chemicals plant with total installed capacity of 21,463 tonnes per annum (increased from 21,145 tonnes per annum) as on March 31, 2024. The company has another manufacturing unit, 'Shriram Rayons' at Kota for manufacturing and exporting rayon tyre cord, yarn and fabric to tyre manufacturer. It has a total installed capacity for industrial fibres of 17,055 tonne per year, which includes yarn production capacity, grey fabric, and dipped fabric capacity. DSIL also ventured into defence equipment manufacturing to explore opportunities following the Government of India's 'Make in India' initiative and opening up of defence production to private sector. Considering this, the company entered an agreement with Zyrone Dynamics Havacilik Danismanlik Ve Ar-Ge San. Tic. A.S. (ZD), a Turkish company, for technological support for two variants of UAVs and both the parties will support each other in marketing the products in India and globally. Per the agreement, DCM would subscribe to 30% of the capital of the foreign company comprising 25,715 shares at a total investment of just over US\$ 1.05 million (~₹8 crore) in five tranches on milestone basis, subject to necessary approval regarding foreign investment under Foreign Exchange

Management Act (FEMA) Regulations. Until FY25, DSIL has invested ₹3.14 crore as on March 31, 2025, representing 9,797 shares, 38% of total investment.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26(UA)
Total operating income	2,095.50	2,062.54	498.59
PBILDT	237.27	210.02	47.75
PAT	114.94	100.30	17.79
Overall gearing (times)	0.75	0.64	NA
Interest coverage (times)	6.67	5.94	4.63

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
Fixed Deposit		-	-	-	15.00	CARE A+ (RWN)
Fund-based - LT-Cash Credit		-	-	-	499.80	CARE A+ (RWN)
Fund-based - LT-Term Loan		-	-	31/03/2028	98.49	CARE A+ (RWN)
Non-fund-based-Short Term		-	-	-	155.92	CARE A1+ (RWN)

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	98.49	CARE A+ (RWN)	-	1)CARE A+ (RWN) (07-Aug-24)	1)CARE A+ (RWN) (23-Aug-23) 2)CARE A+; Stable (05-Jul-23)	1)CARE A+; Stable (23-Sep-22)
2	Fund-based - LT-Cash Credit	LT	499.80	CARE A+ (RWN)	-	1)CARE A+ (RWN) (07-Aug-24)	1)CARE A+ (RWN) (23-Aug-23) 2)CARE A+; Stable (05-Jul-23)	1)CARE A+; Stable (23-Sep-22)
3	Non-fund-based-Short Term	ST	155.92	CARE A1+ (RWN)	-	1)CARE A1+ (RWN) (07-Aug-24)	1)CARE A1+ (RWN) (23-Aug-23) 2)CARE A1+ (05-Jul-23)	1)CARE A1+ (23-Sep-22)
4	Fixed Deposit	LT	15.00	CARE A+ (RWN)	-	1)CARE A+ (RWN) (07-Aug-24)	1)CARE A+ (RWN) (23-Aug-23) 2)CARE A+; Stable (05-Jul-23)	1)CARE A+; Stable (23-Sep-22) 2)CARE A+; Stable (22-Jun-22)

LT: Long term; ST: 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	Fixed Deposit	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based-Short Term	Simple

Annexure-5: Lender details

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

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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