Bannari Amman Sugars Limited

December 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	500.00 (Reduced from 640.00)	CARE AA-; Stable	Reaffirmed
Long-term / Short-term bank facilities	15.00	CARE AA-; Stable / CARE A1+	Reaffirmed
Long-term bank facilities	-	-	Withdrawn
Short-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of for Bannari Amman Sugars Limited (BASL) is based on its established track record in the southern sugar industry and its integrated nature of operations with presence in sugar, bagasse-based cogeneration and molasses-based distillery, reflecting the company's ability to wither out industry cyclicality. Ratings continue to draw strength from robust capital structure and comfortable debt protection metrics. BASL prepaid certain term loan obligations in FY25, leading to improved capital structure with overall gearing of 0.08x as on March 31, 2025, against 0.29x as on March 31, 2024, and a net debt to profit before interest, lease rentals, depreciation and taxation (PBILDT) at 0.7x as on March 31, 2025, improved from 1.55x as on March 31, 2024. Ratings also take comfort from strong liquidity position in the absence of debt-funded capex plans in the near-to-medium term and low working capital utilisation.

The company's scale of operations declined in FY25 due to erratic monsoon and farmers shifting to alternate crops, which reduced sugarcane availability and recovery rates. CARE Ratings Limited (CareEdge Ratings) expects a slight growth in its revenue in FY26 and gradual improvement in profitability in the near term, supported by better weather conditions and improved cane availability and improved leverage profile.

Ratings remain constrained by high working capital intensity, susceptibility of revenue and profitability to demand-supply fluctuations, cyclical and regulated nature of the sugar industry, and continued low sugarcane recovery trends in southern states.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations with PBILDT margin sustaining beyond 15%.
- Significant reduction in leverage levels with total debt to PBILDT sustaining below 0.50x.

Negative factors

- Increase in total debt to PBILDT beyond 2.50x on a sustained basis.
- Adverse changes in government policies affecting the operations and cash flow of the entity significantly.
- Decline in the company's profitability marked by decline in PBILDT margin below 10% or less on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects the expectation that the company will maintain its established market position in the medium term, while maintaining its comfortable financial position with healthy cash accruals against low term debt obligations and no major debt funded capex in the medium term.

[1]Complete 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

Integrated nature of operations & established track record in sugar industry

BASL has integrated operations across sugar, industrial alcohol, bio-products, granite, and power generation through co-generation and windmills. Power is sold to Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) and in the open market. The granite unit adjacent to Sugar Unit I is a 100% export-oriented facility. In FY25, sugar (including molasses) contributed 71% of revenue (PY: 74%), alcohol 14% (PY: 17%), power 13% (PY: 8%), and granite 1% (PY: 1%). Diversified revenue streams are expected to cushion cyclicality in the sugar business and support stable cash flows in the medium term.

As the flagship entity of Bannari Amman group (BAG), BASL has an operational track record of ~40 years in the sugar industry. It began with a single unit in Tamil Nadu (1,250 tonnes cane per day - TCD) and expanded through phased additions in Tamil Nadu and Karnataka. Currently, BASL operates five sugar units with a combined capacity of 23,700 TCD, co-generation capacity of 129.8 MW, wind power of 8.75 MW, and distillery capacity of 217.5 KLPD. The company plans to upgrade sugar capacity to 26,200 TCD by FY27, which is expected to enhance scale and operational efficiency.

Comfortable financial risk profile

BASL's financial risk profile remains strong, supported by low debt of ₹150 crore (term debt including lease liabilities: ₹44 crore; working capital borrowings: ₹106 crore), down from ₹486 crore in FY24 due to term loan prepayment and lower working capital needs due to majorly working capital requirements being met through internal accruals. Net worth increased to ₹1,779 crore (PY: ₹1,688 crore), resulting in improved gearing of 0.08x as on March 31, 2025 (PY: 0.29x). Debt coverage also strengthened, with Net debt/PBILDT at 0.70x (PY: 1.55x) and PBILDT interest coverage at 13.39x (PY: 9.81x). With no debt-funded capex planned (₹250 crore capex in three years to be funded through internal accruals), gearing is expected to remain below 0.10x in the near term, though working capital borrowings may rise with higher cane crushing in FY26.

Moderation in operational performance, though signs of improvement visible

The sugar industry faced significant challenges in Sugar Season (SS; runs from October to September) 2024-25 due to erratic monsoon, restrictions on ethanol production from B-Heavy molasses, export caps (1 million tonnes), and regional issues such as red-rot in Uttar Pradesh. BASL's crushing days reduced to 198 (PY: 274) due to lower cane availability, and recovery declined to 8.67% (PY: 9.03%). Sugar production fell to 28 lakh quintals (PY: 44 lakh), and sales dropped to 32 lakh quintals (PY: 45 lakh). However, as sugar prices firmed up, realisations rose from ₹3670/ per quintal in FY24 to ₹3833/ quintal in FY25. Overall, there was a 19% revenue decline in FY25 to ₹1,794 crore (PY: ₹2,222 crore). PBILDT margin contracted to 11.78% (PY: 13.97%) due to lower volumes and weaker realisations in co-generation and lower margins in distillery segments.

In H1FY26, revenue grew 13% y-o-y to ₹990 crore with PBILDT margin at 11.26%. CareEdge Ratings expects revenue and PBILDT margins to recover marginally in FY26, supported by better monsoon and higher cane availability, though significant improvement in its operating performance may take longer.

Key weaknesses

Working capital intensive operations

The sugar industry is seasonal, leading to high working capital needs in peak season (November to April) for cane procurement and sugar production. BASL's operating cycle lengthened to 225 days in FY25 (PY: 202 days) due to higher inventory holding, which rose to 219 days (PY: 189 days). Despite this, BASL's average working capital utilisation remained low at 9.06% of sanctioned limits of ₹620 crore, for 12 months ended October 2025, indicating minimal reliance on borrowings and largely working capital needs being funded by internal accruals. Working capital intensity is expected to remain high in the near term with inventory days likely to stay above 200, though low utilisation provides comfort.

Revenues and profitability susceptible to demand-supply dynamics and cyclical and regulated nature of the sugar industry

The sugar industry is cyclical and is vulnerable to government policies for reasons such as its importance in Wholesale Price Index (WPI), as it classifies as an essential commodity. The government on its part resorts to regulations such as fixing 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. BASL'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. Cyclicality in sugar production also 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.

Continuation of low sugarcane recovery trends for southern states
Sugarcane recovery rates in southern states remain structurally low compared to northern states. BASL's recovery averaged 9.0–9.5% in the last five years but declined to 8.67% in FY25 and 8.44% in H1FY26 due to adverse weather. Lower recovery increases cost of production and pressures margins. Recovery rates are expected to improve marginally in FY26 with better monsoon but remain below northern benchmarks of 10–12%, keeping cost competitiveness constrained.

Liquidity: Strong

The company's liquidity remains strong, supported by healthy cash accruals of ₹196 crore in FY25 (FY24: ₹244 crore). Cash accruals are expected to remain in the range of ₹200–₹240 crore per year in the next three years, against low repayment obligations of ₹35 crore in FY26, ₹2 crore in FY27, and ₹1 crore in FY28. The company has sanctioned working capital limits of ₹620 crore, with average maximum utilisation at only 9.06% for 12 months ended October 2025, providing a significant liquidity buffer. Planned capex of ₹250 crore over FY26–FY28 will be funded entirely through internal accruals, ensuring no additional debt burden.

Liquidity is expected to remain strong in the medium term, aided by healthy cash accruals, minimal repayment obligations, and low reliance on external borrowings, even after meeting planned capex through internal accruals.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks
CareEdge Ratings believes BASL's ESG profile complements its strong credit risk position. The sugar sector has significant environmental impact due to high energy use, emissions, and water dependency, and notable social impact given its labour-intensive nature. BASL has consistently implemented measures to mitigate these risks.

Environment: To reduce environmental impact, BASL has invested in technologies to lower energy and water consumption. It implemented concentration and incineration systems for spent wash management and achieved 100% recycling of condensate water (382 m^3/day) and steam condensate (191 m^3/day), reducing freshwater intake. The company also commissioned a CO_2 recovery system and undertook multiple energy-saving initiatives, lowering dependence on grid power.

Social: BASL has strengthened employee engagement and skill development programs, with training coverage rising to 95% in FY25 from 63.97% in FY24, supporting workforce productivity and retention.

Governance: BASL's governance framework emphasises on transparency, accountability, and equity. It has a vigil mechanism for reporting unethical practices or fraud. As on March 31, 2025, the Board comprised six directors, including four (66.67%) Non-Executive Independent Directors and one-woman director, ensuring compliance with governance norms.

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
Withdrawal Policy
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

BASL is the flagship company of BAG and is engaged in manufacturing sugar, industrial/potable alcohol, bio-compost, granite products and generation of power through windmill and co-generation. Dr SV Balasubramaniam is the group’s chairman. The company has aggregate capacity of 23,700 TCD in sugar division, 127.50 KLPD in distilleries and 129.80 MW of co-generation capacity. The company also has seven windmills having capacity of 1250 KW each aggregating 8.75 MW.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	H1FY26 (UA)
Total operating income	2,222	1,794	990
PBILDT	310	211	111
PAT	155	105	90
Overall gearing (times)	0.29	0.08	NA
Interest coverage (times)	9.81	13.39	68.95

A: Audited UA: Unaudited; NA: Not Available; 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		-	-	-	500.00	CARE AA-; Stable
Fund-based - LT-Term Loan		-	-	30/12/2025	0.00	Withdrawn
Fund-based - ST-EPC/PSC		-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	10.00	CARE AA-; Stable / CARE A1+
Non-fund-based - LT/ ST-Letter of credit		-	-	-	5.00	CARE AA-; Stable / 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 - ST-EPC/PSC	ST	-	-	-	1)CARE A1+ (08-Jan-25)	1)CARE A1+ (05-Jan-24)	1)CARE A1+ (12-Dec-22)
2	Non-fund-based - LT/ ST-Letter of credit	LT/ST	5.00	CARE AA-; Stable / CARE A1+	-	1)CARE AA-; Stable / CARE A1+ (08-Jan-25)	1)CARE AA-; Stable / CARE A1+ (05-Jan-24)	1)CARE A+; Stable / CARE A1+ (12-Dec-22)
3	Fund-based - LT-Cash Credit	LT	500.00	CARE AA-; Stable	-	1)CARE AA-; Stable (08-Jan-25)	1)CARE AA-; Stable (05-Jan-24)	1)CARE A+; Stable (12-Dec-22)
4	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE AA-; Stable (08-Jan-25)	1)CARE AA-; Stable (05-Jan-24)	1)CARE A+; Stable (12-Dec-22)
5	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	10.00	CARE AA-; Stable / CARE A1+	-	1)CARE AA-; Stable / CARE A1+ (08-Jan-25)	1)CARE AA-; Stable / CARE A1+ (05-Jan-24)	1)CARE A+; Stable / CARE A1+ (12-Dec-22)
6	Fund-based - ST-Working Capital Limits	ST	-	-	-	-	-	1)Withdrawn (12-Dec-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	Fund-based - ST-EPC/PSC	Simple
4	Non-fund-based - LT/ ST-Bank Guarantee	Simple
5	Non-fund-based - LT/ ST-Letter of credit	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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