

Davangere Sugar Company Limited

March 12, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	219.15 (Enhanced from 165.21)	CARE BBB-; Stable	Upgraded from CARE BB+; Stable
Short-term bank facilities	24.84 (Reduced from 33.84)	CARE A3	Upgraded from CARE A4+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings assigned to bank facilities of Davangere Sugar Company Limited (DSCL) reflects the improved liquidity cushion created following the funds raised through the Rights Issue (RI) in August 2025. A portion of the RI proceeds was utilised to repay borrowings and to procure raw materials for the distillery division, strengthening the company's capital structure. The management's strategy of procuring key inputs—particularly maize for the ethanol division—at competitive prices and maintaining adequate inventory is expected to support healthier operating margins. Additionally, the company's ongoing expansion of its distillery capacity, a higher-margin segment, is likely to further enhance overall operational and financial performance over the medium term.

However, ratings remain constrained by DSCL's presence in the cyclical and heavily regulated sugar industry, and by inherent agro-climatic risks. Ratings continue to draw comfort from the company's long operational track record and the extensive experience of its promoters in the sugar industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving scale of operations above ₹300 crore with term debt (TD) /profit before depreciation, interest, and tax (PBDIT) less than 1.5x and interest coverage ratio (ICR) above 2.5x.

Negative factors

- Decline in scale of operations below ₹200 crore with TD/PBILDT above 4.50x or ICR below 1.75x.

Analytical approach: Standalone

Outlook: Stable

'Stable' outlook reflects CARE Ratings Limited (CareEdge Ratings') expectation that the company would be able to maintain its stable business profile aided by its distillery operations.

Detailed description of key rating drivers:

Key strengths

Strengthened capital structure and debt-servicing capability

The company raised funds through RI in August 2025 and utilised a portion of the proceeds to repay short-term and unsecured loans. As a result, total debt declined significantly from ₹356.5 crore as of March 31, 2025, to ₹232 crore as on December 31, 2025. With no major debt-funded capital expenditure plans in the near term, the company's overall gearing is expected to remain below unity over the medium term.

Additionally, the company is expanding the capacity of its distillery division from 65 KLPD to 85 KLPD. Given the ethanol demand from oil marketing companies (OMCs), this expansion is expected to drive a significant improvement in revenues over the medium term. The management is undertaking strategic initiatives to enhance raw material availability, which is expected to support operational stability.

Sustained profitability margin

While the company's total operating income (TOI) remained stable to ₹215.02 crore in FY25 against ₹216.53 crore in FY24, the PBDIT margin improved from 20.93% in FY24 to 24.19% in FY25 and further to 26.70% in 9MFY26. The improvement was

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

primarily driven by lower raw material costs in the distillery segment, supported by the company's extensive use of maize for ethanol production. Being located in maize-growing regions has enabled DSCL to procure maize at comparatively lower prices, enhancing profitability. However, the company's sugar segment is facing challenge due to low sugar crushing and high sugarcane procurement cost. The company's ability to sustain profitability margins in near term would be a key monitorable.

Long track record and experienced promoters

DSCL has over five decades of track record in its present line of business. DSCL enjoys established relationship with farmers operating in the same region over the decades. The company's day-to-day operations are managed by SS Ganesh (MD), who is adequately supported by a group of professionals having rich business experience in the operative industry.

Key weaknesses

Elongation in operating cycle

The sugar industry is characterised by high levels of inventory holding (due to seasonality associated with sugarcane), and low credit on sugarcane purchase, makes the company's operations working capital intensive. Sugar industry being seasonal in nature has high working capital requirements in the peak season, which is from November to April. The companies have high working capital requirements in the peak season to procure their primary raw material, sugarcane, and manufacture sugar in this period. The average working capital utilisation remained high at 92% for the trailing 12 months ended January 31, 2026. Elongation in the operating cycle in FY25 was due to increased inventory levels considering increased storage of molasses and maize to maintain adequate stock for ethanol production in FY26.

Cyclical and regulated industry

The industry is cyclical and vulnerable to government policies for factors such as importance in wholesale price index (WPI), as sugar is classified as an essential commodity. Governments (both Union and State) resort to regulations such as fixing raw material (sugarcane) prices under Fair and Remunerative Prices (FRP) and State Advised Prices (SAP). All these factors impact sugarcane cultivation patterns in the country, affecting profitability for sugar companies. India also continues to carry high levels of sugar inventory, largely due to controlled release mechanism followed by the Government. The company's performance can be impacted by disproportionate increase in cane price in a particular year. Profitability remains vulnerable to Government's policies on exports, MSP, and remunerative ethanol prices. In addition, cyclicality in sugar production results in volatile sugar prices.

Inherent to agro-climatic risk

The sugar industry, directly depending on 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 crushing period and sugar recovery levels.

Liquidity: Adequate

The company raised funds through an RI in August 2025, which were utilised to partially repay borrowings and to procure raw materials, strengthening its overall liquidity position. Resultantly, the company's liquidity remains adequate, supported by the improved financial flexibility and anticipated satisfactory cash accruals, which are expected to comfortably meet upcoming debt-repayment obligations. The ethanol division continues to be a key contributor to the company's profitability. As on January 31, 2026, the company maintained a cash and bank balance of ₹5.75 crore. Working capital utilisation remained elevated at 92% in the 12 months ended November 30, 2025, reflecting the inherently working capital intensive nature of operations and the strategic raw material inventory maintained for the ethanol business. The company's current ratio stood at a satisfactory 1.39x as on March 31, 2025, underscoring a stable liquidity profile.

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

DSCL was incorporated in 1970 and acquired by current promoters in 1995. SS Ganesh takes care of the day-to-day functioning of the company.

The company has sugar crushing capacity of 4750 TCD, co-generation unit of 24.45 MW and a 65 KLPD distillery unit, which is being planned to be expanded to 85 KLPD.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	December 31, 2025 (UA)
Total operating income	216.53	215.02	156.61
PBILDT*	45.33	52.02	41.82
Profit after tax (PAT)	25.43	10.05	5.28
Overall gearing (x)	1.71	1.86	NA
Interest coverage (x)	1.79	1.85	1.84

A: Audited UA: Unaudited; NA: Not Available, Note: these are latest available financial results

*PBILDT: Profit before interest, lease rentals, depreciation, and tax

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	109.00	CARE BBB-; Stable
Non-fund-based - ST-Letter of credit	-	-	-	-	24.84	CARE A3
Term Loan-Long Term	-	-	-	March 2028	110.15	CARE BBB-; 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	Fund-based - LT-Cash Credit	LT	109.00	CARE BBB-; Stable	-	1)CARE BB+; Stable (05-Mar-25)	1)CARE BB+; Stable (14-Mar-24)	1)CARE BB+; Stable (03-Feb-23)
2	Non-fund-based - ST-Letter of credit	ST	24.84	CARE A3	-	1)CARE A4+ (05-Mar-25)	1)CARE A4+ (14-Mar-24)	1)CARE A4+ (03-Feb-23)
3	Term Loan-Long Term	LT	110.15	CARE BBB-; Stable	-	1)CARE BB+; Stable (05-Mar-25)	1)CARE BB+; Stable (14-Mar-24)	1)CARE BB+; Stable (03-Feb-23)

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-Letter of credit	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: 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.

Contact us

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