The Ugar Sugar Works Limited

August 13, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term bank facilities	RBI	700.00	CARE BBB-; Stable	Upgraded from CARE BB+; Negative
Fixed deposit	MCA	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Upgrade in rating and revision in outlook from 'Negative' to 'Stable' assigned to bank facilities of The Ugar Sugar Works Limited (USWL) reflects significant improvement in the company's profitability supported by growth in sales volume and sugar realisation, and better co-generation power segment performance in FY26 and Q1FY27. Concerns regarding sizeable debt repayments of ~₹50 crore p.a. each in FY26 and FY27 are substantially mitigated by the improved profitability achieved in FY26 and Q1FY27, which is expected to continue in FY27.

In FY26, the company's scale of operations grew by 11% year-over-year (y-o-y), whereas profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin expanded by ~370bps y-o-y. CARE Ratings Limited (CareEdge Ratings) expects sustained performance in the medium term, driven by continuing high sugar prices and its sizeable crushing and distillery capacities and long track record of operations.

CareEdge Ratings continues to positively factor in the company's diversified revenue streams from sugar, ethanol, and co-generation, leading to mitigation of the risk related to the cyclical and seasonal sugar industry to a certain extent. CareEdge Ratings notes that the company plans to operate distillery on maize, which is expected to help sustain profitability for the year. USWL's ability to sustainably improve its capacity utilisation for ethanol production, while maintaining low inventory levels under the sugar segment will be a key monitorable.

Ratings also consider cordial relations with local framers, leading to adequate procurement of cane and presence in a high recovery zone. Ratings also derive strength from experienced promoters over eight decades and their established presence in sugar and related industries.

However, rating strengths are partially offset by the company's leveraged capital structure despite some improvement in FY26, led by accretion of profits to net worth and scheduled debt repayments, presence in a working capital intensive business, and its operations in a seasonal, cyclical, and regulated industry, which is inherent to agro-climactic risk.

CareEdge Ratings has withdrawn the rating outstanding on fixed deposit (FD) programme of USWL with immediate effect. This action has been taken at the request of USWL, in accordance with CareEdge Ratings' policy on withdrawal of ratings.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in profit before depreciation, interest, and taxes (PBDIT) margins to above 8% while sustaining scale of operations.
- Improvement in total debt (TD)/PBDIT below 5x on a sustained basis.

Negative factors

- Decline in the operating profit margin below 5% on a sustained basis.
- Deterioration in the overall gearing above 3.50x.

Analytical approach: Standalone

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.
[2]Complete definitions of ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Outlook: Stable

Revision in outlook from 'Negative' to 'Stable' reflects CareEdge Ratings' expectations that the company's liquidity will improve, and it will generate adequate cash accruals and maintain adequate debt coverage metrics in the medium term, supported by sustained operating performance, established track record, reduction in term debt, and the absence of major debt-funded capital expenditure plans.

Detailed description of key rating drivers

Key strengths

Sustained growth in scale of operations and improvement in profitability in FY26, which is likely to sustain

USWL's scale of operations grew by 11% y-o-y and stood at ₹1490.22 crore in FY26 (PY: ₹1333.50 crore), primarily driven by increase in y-o-y sales volume and growth in revenue share from the industrial alcohol segment. The company's operating profitability improved significantly in FY26, supported by better sugar recovery and growth in sugar realisations. Despite the increase in cane price, considering Government of Karnataka's directive requiring sugar mills to pay additional charges over and above fair and remunerative prices (FRP) to farmers, which led to increase in manufacturing expenses by ~₹50 crore, the company managed to generate PBILDT of ₹106 crore in FY26 against ₹44 crore in FY25, reflecting a strong y-o-y recovery in operating performance. Going forward, profitability is expected to remain healthy, aided by higher sugar prices and the company's expectation of maintaining sugarcane crushing levels comparable to the previous season, although sugar recovery levels will continue to remain a key monitorable. Based on the El Nino effect, availability of sugarcane and sustenance of cane crushing at similar levels will be key monitorable.

Extensive experience of promoters in the sugar industry

USWL was set up in 1939 in the Ugar Khurd, Karnataka, with an installed capacity of 500 tonne of cane per day (TCD) and has over eight decades of experience in sugar business. Currently, the company operates two sugar units – one in Ugar, Khurd and another in Jewargi, Kalaburgi, Karnataka. The company has a total installed capacity of 24,200 TCD with a 59.50 megawatt (MW) co-generation unit and an 845-kilolitre per day ethanol plant in the sugar season, which can be converted to a 400-KLPD grain-based ethanol plant in the offseason. The company is part of the Shirgaokar Group (SB group) and is actively managed by Neeraj Shirgaokar and Chandan Shirgaokar, as the company's managing directors, supported by an experienced management team.

Integrated business model with diversified revenue streams

USWL's Khurd unit currently operates a 20,000 TCD sugar plant and a co-generation unit with an installed capacity of 44 MW, and the company had an existing molasses-based distillery with an installed capacity of 45 KLPD, which was primarily used for spirit and Indian-made foreign liquor (IMFL). In December 2022, the company commissioned its 800 KLPD sugarcane juice-based distillery operations for producing ethanol. Integrated operations mitigate risk associated with sugar price volatility and its cyclical nature to some extent. The plant also has a capacity of 400 KLPD grain-based ethanol in the off season. The company has been procuring raw material (maize) and will be producing ethanol from maize/Food Corporation of India (FCI) rice in first half of current fiscal year to ensure better margins. The company also has another unit at Jewargi with a 4,200 TCD capacity. The unit is partially integrated with a co-generation installed capacity of 15.5 MW. However, the company does not have other distillery capacity under the Jewargi unit.

Adequate procurement of cane and presence in a high recovery zone

The command area of Ugar comprises over 80 villages with total land under sugarcane cultivation of ~76,000 acre. Nearby sugar factories to the Ugar-Khurd unit includes Athani Sugars Limited (rated 'CARE BBB-; Stable'), Shiraguppi Sugars Works Limited, and Raibaug SSK, and close to the Jewargi unit is Renuka Sugars Limited. The command area has been well-irrigated over with consistent water supply through rivers, such as Krishna, which is ~1 km from the plant and from where water is distributed to agricultural lands and industries around Ugarkhurd and Jewargi units, respectively. Favourable climatic conditions and adequate irrigation facilities have rendered sugarcane with a high recovery rate ranging between 10.8-11.7%. Promoters have a wide acceptance among local farmers and enjoy cordial relationships, facilitating the company's cane procurement initiatives on such a large scale (average crushing of ~20 lakh metric tonne [MT] in the last three crushing seasons).

Key weaknesses

Leveraged capital structure and moderate debt coverage indicators; likely to improve in the medium term

The entity's capital structure stood leveraged, as marked by an overall gearing of 3.13x as on March 31, 2026 (3.13x as on March 31, 2025) with high reliance on external debt. Its debt profile largely comprises working capital borrowings required for procuring sugarcane. Total outside liabilities to total net worth stood high at 4.98x as on March 31, 2026 (4.6x as on March 31, 2025). Debt coverage indicators stood moderate with PBILDT interest coverage ratio and total debt/PBILDT at 1.74x and 6.82x, respectively, as on March 31, 2026. Going forward, capital structure and debt coverage indicators are likely to improve, considering expected accretion of profits to the net worth, reduction in debt levels, and no major debt-funded capex plans in the medium term.

Working capital intensive business

Being seasonal in nature, the sugar industry 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. Farmers' dues need to be cleared in a timely manner owing to regulatory oversight, increasing the overall working capital intensity of operations. The company receives ethanol payments from Oil Marketing Companies (OMCs) within 20 days and power-sale payments from Escoms within one month, while paying farmers within 14–15 days. The company maintains adequate inventory to offer the steady supply of sugar per requirements of institutional customers and the retail market throughout the year. With sugar prices gradually increasing over the sugar production cycle, it warrants a high level of inventory during the year-end. USWL's average working capital cycle has remained in the range of 135-145 days in the last two years with year-end inventory holding at 145-160 days.

Seasonal, cyclical, and regulated nature of sugar business

The sugar industry directly depends on the sugarcane crop and its yield and is susceptible to agro-climatic risks. Climatic conditions, more specifically monsoons, influence operational parameters for a sugar entity, such as the crushing period and sugar recovery levels. The degree of dispersion of monsoon precipitation across sugar-growing areas also leads to fluctuating trends in sugar production in different regions. CareEdge Ratings notes that while gross recovery rates for USWL have been at ~11% for the period ended March 31, 2026, higher recovery rates lead to a reduction in the production cost of sugar, thus supporting the margins. The industry is cyclical by nature and is vulnerable to government policies for reasons, like its importance in the 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 (FRP). All these factors impact sugarcane cultivation patterns in the country, and thus, affect the profitability of sugar companies. Hence, the company's performance can be impacted by a disproportionate increase in cane prices in particular year. The profitability remains vulnerable to government's policies on sugar and ethanol, minimum support price (MSP), and remunerative ethanol prices.

Liquidity: Adequate

The company's liquidity is expected to improve with adequate gross cash accruals against debt repayments for FY27. The company has repaid term debt worth ₹13.5 crore in Q1FY27. Average monthly working capital utilisation stood at 94% for 12-months ending March 2026, owing to the high inventory holding. However, the utilisation level reduced to 85% as of June 2026. It is important for the company to generate envisaged profitability in FY27, to ensure that the company maintains adequate debt service coverage ratio. The company had cash and bank balance of ₹3.33 crore as on March 31, 2026.

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

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

USWL was set up in 1939 in Ugar, Khurd, Karnataka, with an installed capacity of 500 TCD. Currently, the company operates two sugar units – one in Ugar, Khurd and another in Jewargi, Kalaburgi, Karnataka. The company has a total installed capacity of 24,200 TCD with a 59.50-MW co-generation unit and an 845-KLPD multi feed distillery. In FY23, the company commissioned its 800 KLPD direct route-based (cane juice or syrup route) ethanol plant, which can be converted to a 400-KLPD grain-based ethanol plant in the offseason. The company is part of the SB group and is actively managed by Neeraj Shirgaokar and Chandan Shirgaokar, as the company's managing directors, and supported by an experienced management team.

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)	June 30, 2026 (UA)
Total operating income	1,333.50	1,490.22	480.93
PBILDT*	44.69	106.44	26.73
Profit after tax (PAT)	-16.25	13.61	1.49
Overall gearing (x)	3.13	3.13	NA
Interest coverage (x)	0.92	1.74	1.44

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

For complexity level of instruments rated refer to Annexure-1.

Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:
A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fixed Deposit	MCA	Simple	-	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	RBI	Simple	-		-	-	566.00	CARE BBB-; Stable
Fund-based - LT-Term Loan	RBI	Simple	-		-	31-03-2031	134.00	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 2026-2027	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
1	Fund-based - LT-Term Loan	LT	134.00	CARE BBB-; Stable	-	1)CARE BB+; Negative (21-May-25)	1)CARE BBB-; Stable (03-Jan-25)	1)CARE BBB-; Stable (17-Nov-23) 2)CARE BBB-; Positive (19-Jul-23)
2	Fund-based - LT-Cash Credit	LT	566.00	CARE BBB-; Stable	-	1)CARE BB+; Negative (21-May-25)	1)CARE BBB-; Stable (03-Jan-25)	1)CARE BBB-; Stable (17-Nov-23) 2)CARE BBB-; Positive (19-Jul-23)
3	Fixed Deposit	LT	-	-	-	1)CARE BB+; Negative (21-May-25)	1)CARE BBB-; Stable (03-Jan-25)	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: 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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