# Davangere Sugar Company Limited

November 24, 2026

| Facilities/Instruments | Name of the Regulator[1] | Amount (₹ crore) | Rating[2] | Rating Action |
|---|---|---|---|---|
| Long-term bank facilities | RBI | 219.15 | CARE BB+; Negative | Downgraded from CARE BBB- and removed from Rating Watch with Negative Implications; Negative outlook assigned |
| Short-term bank facilities | RBI | 24.84 | CARE A4+ | Downgraded from CARE A3 and removed from Rating Watch with Negative Implications |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

Ratings assigned to bank facilities of Davangere Sugar Company Limited (DSCL) were previously placed on Rating Watch with Negative Implications (RWN) owing to uncertainty surrounding the end-use of the Foreign Currency Convertible Bond (FCCB) proceeds and the resultant impact on its credit profile. With clarity emerging on the proposed utilisation of the FCCB funds, the Rating Watch has been removed.

The company has plans to utilise the proceeds of its FCCBs towards establishing a greenfield sugar manufacturing facility in Liberia. The proposed project is likely to entail considerable execution, agricultural development, regulatory and country-specific risks, with the company having limited track record of developing and operating large-scale sugar assets in the region and hence the revision in the rating. While the FCCB offer document originally envisaged deployment of funds across multiple geographies and segments of the sugar value chain, including acquisition of operating assets, the current strategy of pursuing a greenfield project increases implementation and stabilisation risks. The company's ability to complete the project within budgeted timelines and costs, secure adequate cane availability, and generate meaningful cash flows from the venture remains to be demonstrated.

Ratings continue to be constrained by DSCL's presence in the cyclical and highly regulated sugar industry, which remains vulnerable to changes in government policies and fluctuations in sugar realisations. Ratings are further tempered by the company's exposure to agro-climatic risks, which can impact sugarcane availability and recovery levels. Any prolonged delay in the deployment of FCCB proceeds may result in lower-than-envisaged returns on the funds raised, affecting the overall efficacy of the capital allocation strategy. CARE Ratings Limited (CareEdge Ratings) notes that he annual coupon payment obligation on the FCCBs could exert pressure on the company's liquidity profile, however, the comfort is drawn from that the same can be accrued at the discretion of investor.

The rating weaknesses are partially offset by DSCL's established track record in the sugar industry, extensive experience of its promoters, and its demonstrated ability to maintain stable operating performance at the standalone level. With the closure/non-operation of a competing sugar mill in its command area, the management expects higher sugarcane availability in the ensuing crushing season, which is likely to support improved capacity utilisation and operating performance. Consequently, DSCL is expected to register healthy revenue growth of ~40%-50% in FY27 over FY26, supported by higher cane crushing volumes and improved operational throughput.

## Rating sensitivities: Factors likely to lead to rating actions

### Positive factors

- Timely implementation, successful operationalisation, and stabilisation of the proposed overseas project, resulting in sustained improvement in scale of operations while maintaining a prudent capital structure, as reflected by total debt to profit before interest, lease rentals, depreciation and taxation (PBILDT) below 4.0x on a sustained basis.

[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 the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

**Negative factors**

- Delay in project implementation or higher debt financing to implement the project.
- Material weakening of liquidity arising from coupon servicing obligations on FCCBs, prolonged delay in deployment of FCCB proceeds, or lower-than-expected cash flow generation from the proposed investment.

## **Analytical approach:** Consolidated

CareEdge Ratings has revised its analytical approach from Standalone to Consolidated following the incorporation of a subsidiary by DSCL for deployment of the FCCB proceeds. The subsidiary is envisaged to undertake investments in the sugar business, which is aligned with DSCL's core line of operations. Given the proposed scale of investment, which is significant relative to DSCL's existing operations, and the strategic importance of the subsidiary to the group's future business profile, CareEdge Ratings has considered the consolidated financial position of the group for its credit assessment. Consolidated entities are mentioned as Annexure-5.

## **Outlook:** Negative

CareEdge Ratings negative outlook considering the inherent execution and stabilisation risks associated with such large projects. Any significant debt borrowings over and above the deployment of FCCB funds towards the said capex or execution-related delays could further adversely impact the company's liquidity profile. The outlook may be revised to 'Stable' in case of manageable project cost levels and company's ability to timely complete the project.

## Detailed description of key rating drivers

## Key weaknesses

**Project execution risk**

The company is evaluating greenfield investment opportunity in the sugar sector in Liberia, West Africa. The proposal is at a preliminary stage, and details relating to the project scope, investment size, total cost and funding structure are yet to be finalised. The company proposes to deploy the FCCB proceeds of US$ 85 million towards the investment, with additional funding requirement expected to be met through debt financing. Land for the proposed facility has been identified, and the process of obtaining the requisite regulatory approvals is underway. Subject to satisfactory due diligence and receipt of the necessary approvals, the proposed investment is expected to be completed over the next 12-15 months.

The capex plan will be undertaken via its wholly owned overseas subsidiary where substantial portion of the FCCB proceeds have been transferred. This exposes the company to project implementation, project stabilisation, and cash-flow repatriation risks. The company's ability to meet its FCCB-related obligations would depend on the timely completion and stabilisation of the project, adequate cash generation from the proposed operations. In the absence of sufficient cash flows or non-conversion of the outstanding FCCBs into equity shares, the company could face heightened liquidity, refinancing and foreign-exchange risks. Finalisation of the project scope, financial closure and timely completion of the same without cost overrun will be key monitorable.

**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. Woking capital cycle remained elongated at 355 days as on March 31, 2026, due to high inventory holding days.

**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.

## Key strengths

**Sustained scale of operations**
The company's total operating income (TOI) increased to ₹239 crore in FY26 from ₹215 crore in FY25, driven by higher sugar sales volumes and healthy revenue contribution from the distillery division. The TOI grew y-o-y to ₹106.33 crore in H1FY27 against ₹72.26 crore in H1FY26 supported increase in the revenue contribution from distillery division. Profitability moderated in FY26, with the PBILDT margin declining to 20% in FY26 from 24% in FY25, primarily due to elevated sugarcane procurement costs. For H1FY27, the PBILDT margin stood at 22.21% (H1FY26: 37.02%). Going forward, the company's ability to sustain its revenue growth while maintaining healthy profitability margins amid fluctuations in raw material costs and industry dynamics will remain 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.

**Liquidity**: Stretched
The liquidity profile of DSCL has moderated with the company's increased exposure to execution and funding risks associated with the proposed overseas project. The FCCBs carry annual coupon payment obligations, the servicing of which remains subject to the discretion of the bondholders. While DSCL's standalone operations continue to generate adequate cash accruals to support its scheduled debt servicing requirements, substantial debt-funded investment towards the project, project cost overrun, or crystallisation of coupon payment obligations could exert pressure on the company's liquidity position. As on September 30, 2026, DSCL reported standalone cash and cash equivalents of ₹5.59 crore.

## Applicable criteria

Consolidation
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 & 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, 2025 (A) | March 31, 2026 (A) | September 30, 2026 (UA) |
|---|---|---|---|
| Total operating income | 215.02 | 238.80 | 106.33 |
| PBILDT* | 52.02 | 48.38 | 23.94 |
| Profit after tax (PAT) | 10.05 | 8.51 | 4.47 |
| Overall gearing (x) | 1.86 | 0.84 | NA |
| Interest coverage (x) | 1.84 | 1.79 | 0.97 |

A: Audited; UA: Unaudited; NA: Not available; Note: these are latest available financial results
PBILDT: Profit before interest, lease rentals, depreciation, and tax
Note: March 31, 2025 and March 31, 2026 are standalone financials while September 30, 2026 are consolidated.

**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 |
|---|---|---|---|---|---|---|---|---|
| Fund-based - LT-Cash Credit | RBI | NA | - | - | - | - | 109.00 | CARE BB+; Negative |
| Non-fund-based - ST-Letter of credit | RBI | NA | - | - | - | - | 24.84 | CARE A4+ |
| Term Loan-Long Term | RBI | NA | - | - | - | 30-06-2029 | 110.15 | CARE BB+; Negative |

NA: Not applicable

**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-Cash Credit | LT | 109.00 | CARE BB+; Negative | 1)CARE BBB-(RWN) (13-Jul-26) | 1)CARE BBB-; Stable (12-Mar-26) | 1)CARE BB+; Stable (05-Mar-25) | 1)CARE BB+; Stable (14-Mar-24) |
| 2 | Non-fund-based - ST-Letter of credit | ST | 24.84 | CARE A4+ | 1)CARE A3 (RWN) (13-Jul-26) | 1)CARE A3 (12-Mar-26) | 1)CARE A4+ (05-Mar-25) | 1)CARE A4+ (14-Mar-24) |
| 3 | Term Loan-Long Term | LT | 110.15 | CARE BB+; Negative | 1)CARE BBB-(RWN) (13-Jul-26) | 1)CARE BBB-; Stable (12-Mar-26) | 1)CARE BB+; Stable (05-Mar-25) | 1)CARE BB+; Stable (14-Mar-24) |

LT: Long term; ST: Short 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 |
|---|

**Annexure-5: List of entities consolidated**

| Sr. No. | Name of the entity | Extent of consolidation | Rationale for consolidation |
|---|---|---|---|
| 1 | Aurevant Global Limited | Full | Wholly Owned 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 for clarifications.

**Contact us**

| **Media Contact** | **Analytical Contacts** |
|---|---|
| Mradul Mishra<br>Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754 3596<br>E-mail: mradul.mishra@careedge.in<br><br>**Relationship Contact**<br><br>Saikat Roy<br>Senior Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754 3404<br>E-mail: saikat.roy@careedge.in | Karthik Raj K<br>Director<br>**CARE Ratings Limited**<br>Phone: +91-80-4662 5555<br>E-mail: karthik.raj@careedge.in<br><br>Himanshu Jain<br>Associate Director<br>**CARE Ratings Limited**<br>Phone: +91-80-4662 5528<br>E-mail: himanshu.jain@careedge.in<br><br>Rakshata Khatawkar<br>Lead Analyst<br>**CARE Ratings Limited**<br>E-mail: Rakshata.K@careedge.in |

**About us:**

Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

**Disclaimer:**

This disclaimer pertains to the ratings issued and content published by CARE Ratings Limited ("CareEdge Ratings"). Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. Any opinions expressed herein are in good faith and are subject to change without notice. The rating reflects the opinions as on the date of the rating. A rating does not convey suitability or price for the investor. The rating agency does not conduct an audit on the rated entity or an independent verification of any information it receives and/or relies on for the rating exercise. CareEdge Ratings has based its ratings/outlook on the information obtained from reliable and credible sources. CareEdge Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. The users of the rating should rely on their own judgment and may take professional advice while using the rating in any way. CareEdge Ratings shall not be liable for any losses that user may incur or any financial liability whatsoever to the user of the rating. The use or access of the rating does not create a client relationship between CareEdge Ratings and the user.

CAREEDGE RATINGS DISCLAIMS WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR OTHER WARRANTIES OR CONDITIONS, TO THE EXTENT PERMITTED BY APPLICABLE LAWS, INCLUDING WARRANTIES OF MERCHANTABILITY, ACCURACY, COMPLETENESS, ERROR-FREE, NON-INFRINGEMENT, NON-INTERRUPTION, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE OR INTENDED USAGE.

Most entities whose bank facilities/instruments are rated by CareEdge Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CareEdge Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. CareEdge Ratings does not act as a fiduciary by providing the rating. The ratings are intended for use only within the jurisdiction of India. The ratings of CareEdge Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades. CareEdge Ratings has established policies and procedures as required under applicable laws and regulations which are available on its website.

Privacy Policy applies. For Privacy Policy please refer to https://www.careratings.com/privacy_policy

© 2026, CARE Ratings Limited. All Rights Reserved.

This content is being published for the purpose of dissemination of information required as per applicable law and regulations and CARE Ratings Limited holds exclusive copyright over the same. Any reproduction, retransmission, modification, derivative works or use or reference to the contents, in whole, in part or in any form, is prohibited except with prior express written consent from CARE Ratings Limited.

**For detailed Rating Report and subscription information, please visit www.careratings.com**