

February 28, 2025

NSL Sugars Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Term loan	184.15	184.15	[ICRA]D; reaffirmed
Total	184.15	184.15	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation takes into account continuing delays in the debt servicing obligations owing to the weak liquidity position of NSL Sugars Limited (NSL). ICRA notes that the company's application for restructuring is awaiting approval by the Standing Committee of SDF (Sugar Development Fund) as on November 2024 as per revised guidelines dated February-2024.

ICRA notes that the promoters have infused their contribution of Rs. 45.0 crore in FY2022 as required in the resolution plan. The implementation is expected to be completed in FY2026.

Further, ICRA takes note of the company's weak capital structure and debt coverage indicators in the last few years (FY2018-9MFY2025). Although improved crushing levels from current levels, favourable sugar prices and enhanced distillery capacity would improve the scale, profits and in turn the debt metrics following the successful implementation of the restructuring of SDF loans, the credit profile would still be weak.

The rating is also constrained by the risks associated with the inherent cyclicity in the sugar business, the agro-climatic conditions related to cane production, the Government's policies on sugar trade, the pricing and offtake of cogeneration power and ethanol and the counterparty credit risk associated with the sale of power to the utilities in Karnataka and Maharashtra. Further, the tenure mismatch between the power purchase agreement (PPA) of the co-generation units and the debt repayment period (PPA ended in FY2022 for Koppa and Aland while repayment is till FY2027) exposes these co-generation units to demand and tariff risks.

However, ICRA takes note of the significant experience of the promoters in the sugar industry and the forward-integrated operations into co-generation and distillery units, which provide additional revenue stream and cushion the profitability during sugar downturns. Further, NSL's operations are expected to benefit from firm sugar realisations from both the domestic and international markets, healthy export volumes and better distillery performance in the current fiscal.

Credit strengths

Profitability expected to recover on successful implementation of SDF restructuring plan – The company's application for restructuring of SDF loans of Rs. ~108 crore is pending approval the IFCI (nodal agency for SDF) as of November 2024. The implementation of the restructuring is subject to fulfilling all conditions, and is expected to be completed in FY2026..

NSL's financial profile has deteriorated over the years, evident from its declining scale of operations as the cane crushing volumes declined during FY2023-9MFY2025. The company has been able to report profits at the operating level, though it suffered losses at the net level during FY2022-9MFY2025 due to significant interest and depreciation costs, apart from impairment in subsidiary. Post implementation of the SDF restructuring plan, the profitability is expected to improve. However, ICRA takes note of the company's weak capital structure and debt coverage indicators in the last few years (FY2018-9MFY2025). The credit profile is expected to remain weak even after successful implementation of the restructuring plan.

Forward-integrated operations – NSL’s sugar operations, with a capacity of 25,500 TCD, are forward integrated with 90-MW co-generation and 310-KLPD distillery capacities. The forward-integrated profile of the sugar operations cushions the profitability during periods of sugar downturn.

Credit challenges

Delays in debt servicing – ICRA notes that there have been continued delays by NSL in meeting its debt servicing obligations on the Sugar Development Fund (SDF) loans as well as other loans from consortium banks, as per the existing repayment schedule..

Co-generation unit exposed to demand and tariff risk – There is a tenure mismatch between the power purchase agreement (PPA) of the co-generation units and the debt repayment period. The PPAs for Koppa and Aland already ended in October 2021 while the debt repayment is till FY2027. This exposes the company to demand and tariff risks. However, the demand for merchant power remains high and does not pose any threat to power offtake.

Profitability vulnerable to agro-climatic and regulatory risks – The profitability of the sugar mills remains exposed to the cyclical nature of the sugar industry, agro-climatic risks related to cane production and Government policies on sugar trade.

Liquidity position: Poor

NSL’s liquidity position is poor because of the low profitability and modest free cash flows. Liquidity is expected to remain weak in the near-to-medium term.

Rating sensitivities

Positive factors – The rating may be upgraded if the company services the debt obligations in a timely manner on a sustained basis.

Negative factors – Not Applicable.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Policy on Default Recognition Sugar
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the company’s standalone financial profile

About the company

NSL Sugars Limited (NSL), incorporated in 1999, was promoted by the Nuziveedu Seeds Group. The company manufactures and markets sugar, generates power and produces ethanol. The company has three units two at Koppa and Aland in Karnataka and the third at Pawarwadi in Maharashtra. NSL has a 6,500-TCD sugar plant along with a 26-MW co-generation plant and a 60-KLPD distillery at Koppa in the Mandya district of Karnataka and a 9,500-TCD sugar plant along with a 34-MW co-generation plant at Aland, Karnataka. Jay Mahesh Sugar Industries Limited (JMSIL) was taken over by NSL in FY2012. At present, Jay Mahesh unit is operational with a 9,500-TCD sugar unit, 30-MW cogen unit and a 250-KLPD distillery unit.

Key financial indicators (audited)

NSL Sugars Limited	FY2023	FY2024	9M FY2025*
Operating income	1,266.2	1,140.1	631.8
PAT	-16.3	-80.1	-149.9
OPBDIT/OI	7.2%	4.7%	-3.0%
PAT/OI	-1.3%	-7.0%	-23.7%
Total outside liabilities/Tangible net worth (times)	137.6	-23.0	-7.8
Total debt/OPBDIT (times)	11.9	23.2	-51.8
Interest coverage (times)	1.2	0.5	-0.2

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2025)					Chronology of rating history for the past 3 years					
FY2025					FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loans	Long Term	184.15	Feb 28, 2025	[ICRA]D	Nov 30, 2023	[ICRA]D	Aug 24, 2022	[ICRA]D	May 28, 2021	[ICRA]D
Working Capital Facilities	Long Term	-	Feb 28, 2025	-	Nov 30, 2023	-	Aug 24, 2022	-	May 28, 2021	[ICRA]D
Unallocated Limits	Long Term	-	Feb 28, 2025	-	Nov 30, 2023	-	Aug 24, 2022	[ICRA]D	May 28, 2021	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loan	Jul 2010 – Jun 2017	NA	FY2030	184.15	[ICRA]D

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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