

July 15, 2025

## Mawana Sugars Limited: Ratings upgraded to [ICRA]BBB+(Stable)/[ICRA]A2

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/Short term –Fund based –Working capital facilities	350.00	350.00	[ICRA]BBB+ (Stable)/[ICRA]A2; upgraded from [ICRA]BBB (Stable)/[ICRA]A3+
<b>Total</b>	<b>350.00</b>	<b>350.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings upgrade for Mawana Sugars Limited (MSL) factors in an improvement in its operating and financial performance in FY2025 on account of healthy sugar realisations and the efficiency measures taken by the company. In FY2025, the company reported a revenue growth of 7% and the operating margins improved to 8.73% from 6.69% in FY2024. This also helped improve the company's capital structure and debt coverage indicators. ICRA expects the margins to remain modest in the medium term, supported by favourable sugar realisations. Further, its margins would be supported by increased diversion towards ethanol production for ESY2025.

The ratings also factor in the forward-integrated operations into distillery and co-generation that provide alternative revenue streams and act as a cushion against the cyclicity in the sugar business to some extent. ICRA notes that favourable domestic sugar prices and sustained policy backing by the Government, such as introduction of minimum selling price (MSP), interest subvention loans for ethanol capacity creation/expansion and timely price revisions for ethanol, support the company's financial profile.

The ratings, however, remain constrained by MSL's high working capital intensity of its operations with NWC/OI at 48% in FY2025 due to the elevated inventory holding. The inventory levels are expected to remain high due to the nature of the sugar business, resulting in high short-term borrowing for the company. Nevertheless, the debt coverage indicators are expected to remain comfortable, driven by stable operating profits and a modest debt level, supported by ethanol production.

The ratings factor in the vulnerability of MSL's profitability to the cyclical nature of the sugar industry (though the sharp fall in sugar prices has been curtailed after the introduction of MSP) and the agro-climatic risks related to cane production. Further, the profitability of sugar mills, including MSL, is exposed to the policies of the state government and the Central Government on cane prices, international trade, domestic quota, sugar and ethanol pricing and interest subvention loan for distillery capacity expansion.

The Stable outlook on the rating reflects ICRA's opinion that MSL will continue to maintain its revenue and profitability, backed by its forward-integrated operations and a comfortable liquidity position.

### Key rating drivers and their description

#### Credit strengths

**Long track record of operations; forward integration cushions sugar cyclicity to some extent** - The company has a long track record in the sugar industry spanning more than three decades with a sugar manufacturing capacity of 19,000-tonne-crushed-per-day (TCD) facility in UP. The plant's operations are forward-integrated, with a co-generation capacity of 53.5 megawatt

(MW) and a distillery capacity of 120 KLPD. The integrated operations provide alternative revenue streams and act as a cushion against the cyclicity associated with the sugar business to some extent.

**Favourable policy framework supports profits and cash accruals** - The Government of India (GoI) has been supporting the sugar industry through various measures, such as continuation of MSP, soft loans for clearing cane dues, interest subvention loans for ethanol capacity creation and expansion and timely price revisions for ethanol, which have supported the company's financial profile. Additionally, the GoI has preponed the ethanol blending programme timeline to 2025 from 2030 for 20% mandatory blending of ethanol with petrol. The favourable pricing, coupled with a relatively short credit period for ethanol supplies, has supported the profits and cash accruals of various medium to large-sized sugar mills.

**Comfortable capital structure and modest debt coverage indicators** - The company's capital structure remains comfortable with debt to equity of 0.9 times as on March 31, 2025 (PY: 1.4 times). The improvement in profitability resulted in modest coverage indicators in FY2025. Further, the company sold its stake in SIEL Industrial Estate Limited (SIEL IE) and in SIEL Infrastructure and Estate Developers Private Limited (SIEL IED) in FY2025 which resulted in a net gain of Rs. 62.7 crore which was largely utilised to reduce the working capital debt. The company had an interest cover of 4.3 times (PY: 3.1 times), total debt to OPBIDTA of 3.3 times (PY: 6.3 times) and DSCR of 5.3 times (PY: 1.9 times). Going forward, the debt coverage metrics will continue to be comfortable, supported by favourable operating margins.

### Credit challenges

**High working capital intensity** - The seasonality in sugarcane crushing results in an elevated inventory of finished goods at each fiscal-end, leading to high working capital intensity of operations (NWC/OI of 48% as on March 31, 2025). Going forward, the inventory levels are expected to remain high mainly due to the seasonal nature of business.

**Profitability vulnerable to policy interventions by the Government** - MSL's profitability, along with other sugar mills, continues to be vulnerable to the state government and the Central Government's policy on cane prices. Thus, the company's performance can be adversely impacted by a disproportionate increase in cane prices in any particular year. Further, the profitability remains vulnerable to the Government's policies on sugar international trade, domestic quota, sugar MSP, remunerative ethanol prices and interest subvention loan for distillery capacity expansion. The continuation of Government support in the form of remunerative ethanol prices and interest subvention for the debt-funded distillery capex is likely to prevent the piling up of cane arrears. Additionally, firm domestic prices and increased contribution from ethanol supplies are likely to offset this risk to some extent for integrated sugar mills.

**Profitability of sugar mills vulnerable to industry cyclicity and agro-climatic risks** - Being an agri-commodity, the sugarcane crop is dependent on climatic conditions and vulnerable to pests and diseases that may not only impact the yield per hectare but also the recovery rate. These factors can have a significant impact on the company's profitability. Further, high dependence on a single crop variety may affect the yield and recovery rates. However, MSL has been exploring other varieties to mitigate this risk to a certain extent. In addition, the cyclicity in sugar production results in a volatility in sugar prices. However, the sharp downfall in sugar prices has been curtailed after the introduction of MSP by the Central Government in June 2018. Over the long term, higher ethanol production with increased diversion towards B-heavy molasses and direct sugar juice-based ethanol will help curtail the excess supply of sugar, resulting in lower volatility in sugar prices, and hence, increase the cash flows from the sugar business.

### Environmental and social risks

**Environmental considerations** - Sugar entities like MSL are directly exposed to climate risks, which affect sugarcane production and yield. Further, excessive or deficient rainfall affects cane availability. However, the company's sugar facilities are in UP, having high sugar recovery rates and longer crushing season with adequate availability of cane, thereby mitigating the climatic risks to a certain extent. Nevertheless, the company remains exposed to raw material availability which can be impacted by red rot and unseasonal and heavy rainfall as was seen in the recent past.

**Social considerations** - The worldwide societal shift to less sugar-intensive food products, considering the health issues related to high sugar consumption, could structurally reduce the demand for sugar products. However, such changes in consumer behaviour or any other driver of change are expected to be relatively slow-paced. Therefore, while MSL remains exposed to the aforementioned social risk, it is not likely to materially affect its credit profile in the medium term, given the increasing sucrose diversion towards ethanol.

### Liquidity position: Adequate

MSL's liquidity is adequate, with expectation of healthy cash flow from operations due to favourable sugar realisations along with distillery operations and free cash and cash equivalents of Rs. 9.23 crore as on March 2025. The company also had an average cushion of Rs. 140-150 crore in its working capital limits against the drawing power in the last 12 months ended May 2025. Further, the company doesn't have any long-term debt.

### Rating sensitivities

**Positive factors** – An upgrade will be backed by a healthy improvement in earnings and debt coverage metrics along with maintaining an adequate liquidity position.

**Negative factors** – ICRA could revise the ratings downwards if there is any sharp decline in revenues and profitability that would weaken the debt coverage metrics. A specific metric for an unfavourable rating action could be an interest cover of below 3.0 times on a sustained basis. Any significant crystallisation of the contingent liabilities, which mainly include interest on late payment of cane dues, may also weigh on the ratings.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology Sugar</a>
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the consolidated financials of Mawana Sugars Limited and its subsidiaries. The list of the entities is given in Annexure II

### About the company

Mawana Sugars Limited (MSL) is a part of the Siddharth Shriram Group. The company has two operating sugar plants, viz., Mawana Sugar Works (MSW) and Nanglamal Sugar Complex (NSC), with cane crushing capacities of 13,000 TCD and 6,000 TCD, respectively. These plants are in Meerut, western Uttar Pradesh. Both the units have a combined co-generation capacity of 53.5 MW. The Nanglamal Sugar Complex also has a distillery with a capacity of 120 KLPD.

### Key financial indicators (audited)

Consolidated	FY2024	FY2025
Operating income	1,355.16	1,451.04
PAT	37.80	109.45
OPBDIT/OI	6.69%	8.73%
PAT/OI	2.79%	7.54%
Total outside liabilities/Tangible net worth (times)	1.84	1.23
Total debt/OPBDIT (times)	6.26	3.31
Interest coverage (times)	3.05	4.28

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: 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 (FY2026)				Chronology of rating history for the past 3 years							
				FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating	
<b>Fund based – Working capital facilities</b>	Long term/Short term	350.00	Jul 15, 2025	[ICRA]BBB+ (Stable)/ [ICRA]A2	Apr 23, 2024	[ICRA]BBB (Stable)/ [ICRA]A3+	-	-	Jan 30, 2023	[ICRA]BBB (Stable)/ [ICRA]A3+	

### Complexity level of the rated instruments

Instrument	Complexity indicator
Long term/Short term –Fund based –Working capital facilities	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	Long term/Short term –Fund based – Working capital facilities	NA	NA	NA	350.00	[ICRA]BBB+ (Stable)/ [ICRA]A2

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company name	Ownership	Consolidation approach
Mawana Foods Private Limited*	100.00%	Full consolidation

Source: FY2025 Annual Report; \*Associate (till December 30, 2024), Subsidiary (w.e.f. December 31, 2024)

## ANALYST CONTACTS

**Girishkumar Kadam**

+91 22 6114 3441

[girishkumar@icraindia.com](mailto:girishkumar@icraindia.com)

**Vikram V**

+91 40 6939 6410

[vikram.v@icraindia.com](mailto:vikram.v@icraindia.com)

**Rachit Mehta**

+91 22 6169 3328

[rachit.mehta2@icraindia.com](mailto:rachit.mehta2@icraindia.com)

**Menka Sabnani**

+91 79 6923 3003

[menka.sabnani@icraindia.com](mailto:menka.sabnani@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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