

December 12, 2025

Dalmia Bharat Sugar and Industries Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short term - Commercial paper	500.00	1,000.00	[ICRA]A1+; Reaffirmed/ Assigned for enhanced amount
Total	500.00	1,000.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation for Dalmia Bharat Sugar and Industries Limited (DBSIL) takes into account its operationally-efficient sugar mill operations with a healthy gross recovery rate reported over the years. This has been aided by high-yielding cane in the varietal mix and the cane developmental activities taken by the company coupled with the forward-integrated operations. The rating also factors in DBSIL's geographically diversified operations with a crushing capacity of 43,200 tonnes of cane per day (TCD) across Uttar Pradesh and Maharashtra, providing buffer against agro-climatic fluctuations in any one of the states.

Further, the rating draws comfort from the strong financial profile of the company with comfortable debt coverage metrics and expectation of maintaining a low leverage level. Sucrose diversion towards B-heavy molasses/juice-based ethanol and the resultant lower sugar inventory along with the likely capacity expansion of the grain-based distillery to 350 kilolitres per day (KLPD) from 250 KLPD by December 2025 are expected to keep the leverage low. The company's revenue will be driven by comfortable distillery volumes and stable domestic sugar realisations.

ICRA notes the scale-up in its distillery operations in the past two years coupled with the cogeneration that provides alternative revenue streams and acts as a cushion against the cyclicity of the sugar business to some extent. The higher distillery revenues have brought down the seasonality risk associated with sugar to an extent. Moreover, DBSIL enjoys strong financial flexibility from being a part of the Dalmia Bharat Limited (DBL) Group and the market value of its investments in the latter.

The rating, however, remains constrained by the vulnerability of DBSIL's profitability to the cyclical nature of the sugar industry and the agro-climatic risks related to cane production. Further, the profitability of sugar mills, including DBSIL, is exposed to the policies of the Government of UP (GoUP) and the Central Government on cane prices, sugar international trade, sugar domestic quota, ethanol pricing and interest subvention loan for distillery capacity expansion.

Key rating drivers and their description

Credit strengths

A leading sugar mill in India; geographically diverse operations - DBSIL has a sugar capacity of 43,200 TCD and continues to be one of the top sugar manufacturers in the country. Further, the company's geographically diversified operations (30,700 TCD in UP and 12,500 TCD capacity in Maharashtra) are expected to cushion its profits against the fluctuation in operational performance in any of these regions. Additionally, both the states have an edge in sugar recoveries and pricing dynamics, with Maharashtra enjoying location-specific advantage for sugar exports.

Forward-integrated operations, supported by Government policies, to provide cushion against cyclicity in sugar business - DBSIL's operations are forward integrated with a co-generation capacity of 138 mega watt (MW) and a distillery capacity of 850 KLPD (expected to be enhanced to 950 KLPD in the current fiscal), which provide alternative revenue streams and act as a

cushion against the cyclicity in the sugar business. The sugar business (including co-generation) accounts for 70% of the company's revenue, while the distillery segment accounts for 30%. The company is in the process of enhancing its distillery capacity to 950 KLPD from 850 KLPD, further scaling up the operations and strengthening the operating profile. These expansion plans will reduce the seasonality, to an extent, with the distilleries remaining operational throughout the year.

Operationally-efficient sugar mills with healthy sugar recovery rates – The gross recovery rate (not factoring in the diversion of B-heavy for ethanol production) has remained healthy in the range of 12.4-12.8% in the past few years. The increased proportion of high yielding cane in the varietal mix and the cane developmental activities taken by the company helped maintain a healthy gross recovery rate, thereby supporting the cost of production. Going forward, over the medium term, though the proportion of high-yielding canes will remain elevated, production of ethanol from B-heavy molasses/juice to avoid a sugar glut is likely to moderate the net sugar recovery rate to an extent.

Strong capital structure and healthy coverage metrics – The company's capital structure has remained comfortable with net debt to equity of 0.2-0.3 times in the past two years. Healthy capital structure and profitability resulted in comfortable coverage indicators. The company had an interest cover of 7.7 times (PY: 8.5 times), net debt to OPBIDTA of 1.5 times (PY: 2.2 times) and DSCR of 4.8 times (PY: 3.6 times) as on March 31, 2025. Going forward, the debt coverage metrics will continue to be healthy with an expected decline in working capital utilisation and favourable operating margins.

Credit challenges

Profitability vulnerable to policy interventions by the Government - DBSIL's profitability, along with that of the other sugar mills, continues to be vulnerable to the GoUP 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 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. However, the UP state-advised price (UP-SAP) was revised upwards by Rs. 30/quintal for SY2026, while the fair remunerative prices (FRP) increased by Rs. 15/quintal for SY2026, which could limit the profitability. Nevertheless, firmed up domestic prices and increased contribution from ethanol supplies are likely to offset this risk to some extent for integrated sugar mills.

Sugar mills remain vulnerable to industry cyclicity and agro-climatic risks - Being an agri-commodity, the sugarcane crop is dependent on climatic conditions and is 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 the recovery rate. However, DBSIL 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, 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, improve the cash flows from the sugar business.

Environmental and social risks

Environmental considerations - Sugar entities like DBSIL are directly exposed to climate risks, which affect sugarcane production and yield. Further, excessive or deficient rainfall affects the cane availability. However, the company's sugar facilities are in Maharashtra and UP, having high sugar recovery rates and a 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 drivers of change are expected to be relatively slow paced. Therefore, while DBSIL 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: Strong

DBSIL's liquidity position is strong with cash and bank balance of around Rs. 662.98 crore and liquid investments of Rs. 328.45 crore as on September 30, 2025, in addition to the cushion available from working capital limits with low utilisation in the past three months ended October 2025. ICRA expects DBSIL to comfortably meet its debt repayment obligations in the medium term with healthy cash flows from operations.

Rating sensitivities

Positive factors – Not applicable.

Negative factors – ICRA could revise the rating downwards if there is any sharp drop in revenues and profitability along with a significant decline in the ethanol business that would weaken the debt coverage metrics. A specific metric for an unfavourable rating action would be an interest cover of below 8 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Sugar
Parent/Group support	Not applicable
Consolidation/Standalone	ICRA has considered the consolidated financial statements of DBSIL

About the company

Dalmia Bharat Sugar and Industries Limited (erstwhile Dalmia Cement (Bharat) Limited) was established in 1939 at Dalmiapuram in Tamil Nadu. Post demerger, DBSIL operates as an integrated sugar player with a cane crushing capacity of 43,200 tonnes crushed per day (TCD), distillery capacity of 850 kilolitres per day (KPLD) (to be enhanced to 950 KLPD in FY2026) and a co-generation capacity of 138 megawatt (MW) across UP and Maharashtra. The company has the benefit of having capacities in two major sugar producing states, i.e. U.P. and Maharashtra.

Key financial indicators (audited)

DBSIL (consolidated)	FY2024	FY2025	H1FY2026*
Operating income	2,915.7	3,762.6	1,929.6
PAT	272.5	386.8	62.6
OPBDIT/OI	14.7%	12.9%	7.6%
PAT/OI	9.3%	10.3%	3.2%
Total outside liabilities/Tangible net worth (times)	0.8	0.5	0.3
Total debt/OPBDIT (times)	3.3	2.1	1.9
Interest coverage (times)	8.5	7.7	5.6

Source: Company, ICRA Research; *Result; 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 (FY2026)				Chronology of rating history for the past 3 years							
Instrument	Type	Amount rated (Rs. crore)	Dec 12, 2025	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	1,000.00	[ICRA]A1+	Nov 24, 2025	[ICRA]A1+	Jan 24, 2025	[ICRA]A1+ Withdrawn	Oct 09, 2023	[ICRA]A1+	Feb 28, 2023	[ICRA]A1+
				-	-	Oct 30, 2024	[ICRA]A1+	-	-	-	-
Term loan	Long term	-	-	Sep 11, 2025	[ICRA]AA (Stable); Withdrawn	Jan 24, 2025	[ICRA]AA (Stable)	Oct 09, 2023	[ICRA]AA (Stable)	Feb 28, 2023	[ICRA]AA (Stable)
				-	-	Oct 30, 2024	[ICRA]AA (Stable)	-	-	-	-
Cash credit	Long term	-	-	Sep 11, 2025	[ICRA]AA (Stable); Withdrawn	Jan 24, 2025	[ICRA]A (Stable)	Oct 09, 2023	[ICRA]AA (Stable)	Feb 28, 2023	[ICRA]AA (Stable)
				-	-	Oct 30, 2024	[ICRA]AA (Stable)	-	-	-	-
Non-fund based – Others	Short term	-	-	-	-	-	-	Oct 09, 2023	[ICRA]A1+	Feb 28, 2023	[ICRA]A1+
				-	-	Oct 30, 2024	[ICRA]A1+; reaffirmed and withdrawn	-	-	-	-
Unallocated limits	Long term/ Short term	-	-	-	-	-	-	-	-	Feb 28, 2023	[ICRA]AA (Stable)/ [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial paper	Very 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
Yet to be placed	Commercial paper	NA	NA	NA	1,000.00	[ICRA]A1+

Source: Company

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

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Ankit Jain

+0124-4545865

ankit.jain@icraindia.com

Rachit Mehta

+91 22 6169 3328

rachit.mehta2@icraindia.com

Menka Sabnani

+91 79 6923 3003

menka.sabnani@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

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

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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