

May 25, 2026

## Dwarikesh Sugar Industries Limited: Long-term rating downgraded to [ICRA]A+ (Stable) and outlook revised to Stable; short-term rating downgraded to [ICRA]A1

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term fund based – Term loans	147.45	92.80	[ICRA]A+ (Stable); downgraded from [ICRA]AA- and outlook revised to Stable from Negative
Long term fund based – Working capital facilities	450.00	450.00	[ICRA]A+ (Stable); downgraded from [ICRA]AA- and outlook revised to Stable from Negative
Long term non-fund based – Working capital facilities	30.00	30.00	[ICRA]A+ (Stable); downgraded from [ICRA]AA- and outlook revised to Stable from Negative
Long-term unallocated limits	22.55	27.20	[ICRA]A+ (Stable); downgraded from [ICRA]AA- and outlook revised to Stable from Negative
Commercial paper^	300.00	300.00	[ICRA]A1; downgraded from [ICRA]A1+
<b>Total limits</b>	<b>950.00</b>	<b>900.00</b>	

\*Instrument details are provided in Annexure II

^CP is carved out of working capital limits

### Rationale

The rating action reflects the weakening of the financial performance of Dwarikesh Sugar Industries Limited (DSIL) in FY2026, primarily due to higher cane prices and lower cane availability, resulting in suboptimal capacity utilisation and consequent under-absorption of fixed costs. Additionally, distillery operations were adversely impacted by the sluggish ethanol offtake by oil marketing companies (OMCs), resulting in lower ethanol sales. Thus, the company's operating profitability declined significantly, with reported OPBDITA<sup>1</sup> of Rs. 86.9 crore in FY2026 compared to Rs. 113.5 crore in FY2025. This resulted in a moderation in the debt coverage indicators, with interest coverage declining to 5.9x (PY: 6.1x) and the debt service coverage ratio (DSCR) to 1.2x (PY: 1.3x). The extent of improvement in revenues and profitability over the medium term remains a key monitorable and will be contingent on the recovery in cane availability and the pace of ethanol offtake.

The ratings remain constrained by the high working capital intensity of DSIL's operations, with net working capital intensity (NWC/OI) at 47.9% in FY2026, due to elevated inventory levels. Inventory levels are expected to remain high at year-end, given the seasonal nature of the sugar business, leading to increased utilisation of short-term borrowings. The ratings also consider the vulnerability of DSIL'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 DSIL, is exposed to the policies of the Government of Uttar Pradesh (GoUP) and the Central Government on cane prices, sugar international trade, domestic sugar quota, policy related to ethanol blending, and sugar/ethanol pricing.

The ratings continue to factor in DSIL's efficient operations with comfortable recovery rates in the past that have supported its credit profile over the years. Moreover, with forward integration into co-generation and distillery operations, the company benefits from access to alternative revenue streams, which act as a cushion against the cyclical nature of the sugar business. ICRA also notes the comfortable capital structure with a gearing of 0.4x as of March 2026.

<sup>1</sup> Operating profit before depreciation, interest, taxes and amortisation

The Stable outlook reflects ICRA's expectation that DSIL will continue to benefit from its stable and diversified operating profile in the sugar industry, supported by its forward-integrated operations, which provide diversified revenue streams through the sugar, ethanol and co-generation segments, along with an adequate liquidity position.

## Key rating drivers and their description

### Credit strengths

**Forward-integrated operations** – DSIL operates sugar capacities of 21,500 tonnes crushed per day (TCD) at its three mills in UP. The operations are forward-integrated into the power and alcohol businesses with co-generation capacity of 94 megawatt (surplus – 54 MW) and distillery capacity of 337.5 kilolitres per day (KLPD). The integrated operation provides alternative revenue streams and cushions the profitability against the cyclicity in the sugar business. In FY2026, the sugar and co-generation businesses accounted for 70% of the company's revenue, while the distillery segment contributed ~30%. Distillery sales declined on a year-on-year (YoY) basis in FY2026 due to decreased cane availability as well as lower offtake by OMCs.

**Operationally-efficient sugar mills with comfortable recovery rates** – The company has maintained strong operational efficiency over the years, supporting its credit profile. However, in SY2026, cane crushing declined further to 23.9 lakh metric tonnes (MT) from 26.8 lakh MT in SY2025, which was already below historical levels. This was primarily due to red rot infestation in SY2024 and SY2025, adverse weather conditions including excessive rainfall during the critical growth phase, and diversion of cane towards jaggery units in SY2026. Nevertheless, the gross recovery rate improved to 11.37% in SY2026 from 10.96% in SY2025, supported by varietal changes. For SY2027, ICRA expects cane crushing to remain at similar levels, while recovery rates are likely to stay comfortable, driven by continued benefits from varietal improvements.

**Favourable policy framework supports profits and cash accruals** – The Government of India (GoI) has been aiding the sugar industry through various measures, such as continuation of the minimum selling price (MSP), soft loans for clearing cane dues, and interest subvention loans for ethanol capacity creation and expansion, which have supported the company's financial profile. 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.

### Credit challenges

**Moderate coverage indicators and high working capital intensity** – The company's operating profitability declined notably, with OPBDITA at Rs. 86.9 crore in FY2026 compared to Rs. 113.5 crore in FY2025, primarily due to lower cane availability. Accordingly, its debt coverage indicators moderated in FY2026, with interest coverage at 5.9x (PY: 6.1x) and DSCR at 1.2x (PY: 1.3x). DSIL's working capital intensity remained elevated, with NWC/OI at 49.5% in FY2026, due to high inventory levels. Inventory is expected to remain elevated at year-end due to the inherent nature of the sugar business, leading to increasing reliance on short-term working capital borrowings during the year-end period. The extent of improvement in revenues and profitability over the medium term remains a key monitorable and will be contingent on the recovery in cane availability and the pace of ethanol offtake.

**Profitability vulnerable to policy interventions by the Government** – DSIL'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, and remunerative ethanol prices and interest subvention loans for distillery capacity expansion. The continuation of Government support, in the form of remunerative ethanol prices and interest subvention for the debt-funded distillery capital expenditure (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 exposed to industry cyclicality and agro-climatic risks** – As it is 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 significantly impact the company’s profitability. Further, high dependence on a single crop variety may affect the yield as well as the recovery rate. DSIL has been exploring other varieties to partially mitigate this risk. In addition, the cyclicality in sugar production results in volatility in sugar prices. However, the sharp decline in sugar prices has been curtailed after the introduction of MSP by the Central Government in June 2018. Over the long term, the forward-integrated operations act as a cushion against cyclicality and support the company’s cash flows.

## Environmental and social risks

**Environmental considerations** – Sugar entities like DSIL 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. High sugar recovery rates and a longer crushing season with adequate availability of cane partially mitigate climatic risks. Nevertheless, DSIL remains exposed to raw material availability, which can be impacted by red rot disease or unseasonal and heavy rainfall, as 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 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 DSIL 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

DSIL’s liquidity position remains adequate, supported by sufficient cushion in its working capital limits and steady cash flow generation from operations. The company is expected to generate adequate accruals to meet its scheduled debt repayment obligations over the medium term. The liquidity profile is further supported by available undrawn bank lines, providing financial flexibility to manage the inherently seasonal build-up in working capital requirements associated with the sugar business.

## Rating sensitivities

**Positive factors** – An upgrade will be backed by a healthy improvement in earnings and debt coverage metrics along with the company’s ability to maintain an adequate liquidity position.

**Negative factors** – ICRA could revise the ratings downwards if there is a 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 coverage ratio of less than 5.0x on a sustained basis.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Sugar</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

## About the company

DSIL, promoted by Mr. Gautam R. Moraraka, was incorporated in 1994 with the establishment of a 2,500-TCD sugar plant in the sugar-rich belt of UP at Bundki village in Bijnor district. It operates as an integrated sugar player with a current cane crushing

capacity of 21,500 TCD, distillery capacity of 337.5 kilolitres per day (KLPD) and co-generation capacity of 94 megawatt (MW). The company's operations are spread across three sugar plants, i.e. Dwarikesh Nagar (DN), Dwarikesh Puram (DP) and Dwarikesh Dham (DD) in UP.

#### Key financial indicators (audited)

DSIL (standalone)	FY2024	FY2025	FY2026*
Operating income	1,709.6	1,358.9	1,401.9
PAT	83.5	23.3	30.8
OPBDITA/OI	12.0%	8.4%	6.2%
PAT/OI	4.9%	1.7%	2.2%
Total outside liabilities/Tangible net worth (times)	0.7	0.8	0.6
Total debt/OPBDITA (times)	2.2	4.5	3.9
Interest coverage (times)	10.2	6.1	5.9

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 (FY2027)				Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	May 25, 2026	Date	Rating	Date	Rating	Date	Rating
Fund based – Working capital facilities	Long term	450.00	[ICRA]A+ (Stable)	Aug 14, 2025	[ICRA]AA- (Negative)	Nov 07, 2024	[ICRA]AA- (Negative)	Feb 28, 2024	[ICRA]AA- (Stable)
Non-fund based – Working capital facilities	Long term	30.00	[ICRA]A+ (Stable)	Aug 14, 2025	[ICRA]AA- (Negative)	Nov 07, 2024	[ICRA]AA- (Negative)	Feb 28, 2024	[ICRA]AA- (Stable)
Fund based – Term loan	Long term	92.80	[ICRA]A+ (Stable)	Aug 14, 2025	[ICRA]AA- (Negative)	Nov 07, 2024	[ICRA]AA- (Negative)	Feb 28, 2024	[ICRA]AA- (Stable)
Unallocated limits	Long term	27.20	[ICRA]A+ (Stable)	Aug 14, 2025	[ICRA]AA- (Negative)	Nov 07, 2024	[ICRA]AA- (Negative)	Feb 28, 2024	[ICRA]AA- (Stable)
Commercial paper	Short term	300.00	[ICRA]A1	Aug 14, 2025	[ICRA]A1+	Nov 07, 2024	[ICRA]A1+	Feb 28, 2024	[ICRA]A1+

**Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10, 2026**

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(\*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

**Disclosure:** SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

## Complexity level of the rated instruments

Instrument	Complexity indicator
Long term fund based – Term loan	Simple
Long term non-fund based – Working capital facilities	Simple
Long term fund based – Working capital facilities	Simple
Commercial paper	Simple
Long term – Unallocated limits	Not Applicable

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 II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long term fund based – Term loan	Aug 2021	8.80%	Sep 2028	92.80	[ICRA]A+ (Stable)
NA	Long term non-fund based – Working capital facilities	-	-	-	30.00	[ICRA]A+ (Stable)
NA	Long term fund based – Working capital facilities	-	-	-	450.00	[ICRA]A+ (Stable)
NA	Long term – Unallocated limits	-	-	-	27.20	[ICRA]A+ (Stable)
Yet to be placed	Commercial paper	-	-	-	300.00	[ICRA]A1

Source: Company

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

### Annexure III: List of entities considered for consolidated analysis

Not applicable

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