

June 09, 2026

Vishwaraj Sugar Industries Limited: Ratings downgraded to [ICRA]BB- (Negative); outlook revised to Negative from Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund based – Cash credit	260.00	260.00	[ICRA]BB- (Negative); downgraded from [ICRA]BB (Stable); outlook revised to Negative from Stable
Long term – Fund based – Term loans	32.88	32.88	[ICRA]BB- (Negative); downgraded from [ICRA]BB (Stable); outlook revised to Negative from Stable
Long term – Unallocated limits	92.12	92.12	[ICRA]BB- (Negative); downgraded from [ICRA]BB (Stable); outlook revised to Negative from Stable
Total	385.00	385.00	

*Instrument details are provided in Annexure II

Rationale

The downgrade in the rating of Vishwaraj Sugar Industries Limited (VSIL) factors in a continued deterioration in its profitability and debt metrics in FY2026, with the operating income declining by ~17% YoY (following a similar ~17% YoY decline in FY2025) and the company reporting operating losses of ~Rs. 10 crore against an operating profit of ~Rs.12 crore in FY2025.

While India's cane production and sugar output have improved over the last sugar year, sugar exports have been banned till September 30, 2026 due to lower domestic output. VSIL's operational performance in FY2026 remains difficult to ascertain in the absence of details on cane crushing volumes and total sugar/ethanol production.

The deterioration in VSIL's performance in FY2026 was driven by an increase in sugarcane prices by Rs. 50 [above the fair and remunerative price (FRP)] by the Karnataka government w.e.f. November 2025 and higher operating expenses during the fiscal. Further, the company's performance suffered due to low ethanol allocation permitted by the Government in FY2026 that resulted in lower capacity utilisation of the distillery and higher inventory levels.

The new 150-kilolitres per day (KLPD) distillery was commissioned in January 2026 (delayed by almost a year), taking VSIL's total distillery capacity to 250 KLPD. It is designed to run on grains such as maize and broken rice during sugar off-season to aid revenue growth. The capex for the distillery is being funded by a Rs. 50-crore qualified institutional placement (QIP) done in FY2025, a Rs. 125-crore term debt (@13% interest rate without interest subvention), and internal accruals. However, ICRA notes that despite factoring in the expectation of an improvement in operating performance, the debt metrics would remain weak through FY2027.

The rating continues to factor in the extensive experience of the promoters of VSIL in the sugar industry and the company's partially forward-integrated operations. The integrated facilities include an 11,000 tonnes-crushed-per-day (TCD) cane crushing capacity, a 250-KLPD distillery primarily producing rectified spirit (RS) and ethanol (expanded from 35 KLPD in 2020 and a further 150 KLPD added over FY2024-FY2026), and a ~36-MW cogeneration power plant.

The ratings factor in the expectation of an improvement in the scale of operations over FY2027-FY2029 with the operationalisation of the new 150-KLPD multi-feed distillery by July/August 2026. A timely commencement of the operations will be a key monitorable. The distillery is expected to run on grains (rice/maize) FY2027 onwards during the cane crushing off-season (April-September), which should lead to additional revenue stream, apart from the production of sugar/ethanol from

cane. During the cane crushing season, VSIL is expected to divert higher sugar towards ethanol production via syrup/B-heavy routes. However, there remains uncertainty regarding Government allocation for ethanol diversion.

The rating draws comfort from VSIL's healthy recovery rates, which support its credit profile. The company's mill is located in north-west Karnataka, a high sugar recovery zone benefitting from favourable agro-climatic conditions for sugarcane cultivation. Accordingly, the gross recovery rate remained healthy at 11.54% (PY: 11.36%) in FY2025, though it moderated to ~11.25% in FY2026 due to availability of poor-quality cane. The cane crushing levels declined sharply by ~22% in FY2025 (following a ~10% decline in FY2024) due to adverse agro-climatic conditions, which also impacted the recoveries. Details regarding cane crushing volumes for FY2026 are unavailable.

The rating is constrained by weak debt coverage metrics with the total debt/OPBIDTA being ~32 times in FY2025 (up from 5.5 times in FY2024), which further deteriorated with operating losses in FY2026. The metric, however, is expected improve to less than ~9 times in FY2027. The deterioration of the coverage metrics was primarily driven by the additional debt of Rs. 125 crore availed in FY2025 for the 150-KLPD distillery. VSIL's interest coverage also declined to 0.4 times in FY2025 from 2.2 times in FY2024 and weakened further with operating losses in FY2026. The gearing was stable at 1.4 times in FY2025 despite the Rs. 50-crore QIP owing to higher debt, but inched up to 1.7 times in FY2026 due to weak profitability. Similarly, the TOL/TNW also remained stable and moderately elevated at ~2 times as of March 2025, though it increased to 2.3 times as of March 2026.

The rating also considers the inherent cyclicity and agro-climatic risks in sugar operations, along with its vulnerability to Government regulations.

The Negative outlook reflects that the margins, cash flows and the stretch in the working capital may persist in the near term, delaying the expected improvement in profitability and leverage. An improvement in recovery rates, along with higher ethanol allocation and cost control measures, will lead to the stabilisation of operating margins and will be critical for a revision of the outlook. ICRA further notes that sustained favourable Government policies are expected to support the company's financial profile.

Key rating drivers and their description

Credit strengths

Extensive track record of promoters in the sugar industry within Karnataka, forward-integrated operations – VSIL benefits from the extensive experience of its promoters for over three decades in the sugar industry and the favourable location of the plant in Karnataka that ensures steady availability of sugarcane. Established relationships with farmers in nearby areas, along with various support initiatives and timely payments, ensure consistent access to good quality sugarcane.

VSIL operational set-up comprises a cane crushing capacity of 11,000 TCD, a 100-KLPD distillery for producing mainly rectified spirit (RS) and ethanol (up from 35 KLPD in 2020 and further expanded to 150 KLPD), and a ~36-MW cogeneration power plant catering to both captive power consumption and external sale of power. The integrated operation provides alternative revenue sources and cushions its profitability against the cyclicity in the sugar business, improving the stability of its operating profits.

Healthy recovery rates due locational advantages – The company's gross recovery rate for the sugar season remained healthy, slightly improving to ~11.54% in FY2025 from 11.36% in FY2024. However, the gross recovery rate dipped to ~11.25% in FY2026 due to the availability of low-quality cane, putting pressure on the OPM during the fiscal. The net recovery in FY2025 stood at 7.42% vs 8.95% in FY2024 owing to lower gross recoveries and higher diversion of sugar towards ethanol. While the net recovery for FY2026 is unknown, the diversion of sugar towards ethanol remained low in FY2026 due to low allocation by the Government.

Credit challenges

Modest capital structure and weak debt coverage metrics – VSIL's credit profile remains constrained by weak debt coverage metrics with the total debt/OPBIDTA at ~43.2 times in FY2026 (32.3 times in FY2025). The metric is expected to improve, though

remaining elevated at ~9.0 times in FY2027 and further improving to less than ~7 times thereafter in FY2028, largely driven by an improvement in OPBIDTA. The company had availed a debt of Rs. 125 crore in FY2025 (@13% interest with no interest subvention; tenor of ~8 years) for its new 150-KLPD multi-feed distillery. The interest coverage also declined to -0.33 times in FY2026 from 0.35 times in FY2025 due to operating losses.

The company did a QIP of Rs. 50 crore in FY2025, which helped improve its capital structure. The gearing remained stable at ~1.4 times as on March 31, 2025; however, it increased to 1.7 times in FY2026 and is expected to remain elevated over FY2027–FY2028. Similarly, the TOL/TNW increased to 2.4 times as on March 31, 2026 from ~1.9 times as on March 31, 2025. The DSCR remained below 1.0 times in FY2025 and continued to stay below unity in FY2026, with a gradual improvement expected thereafter.

Profitability reliant on Government policies – VSIL’s profitability, along with other Karnataka-based sugar mills, continues to be vulnerable to the Government’s policies on cane prices, exports, minimum support price (MSP) and remunerative ethanol prices. Moreover, the cane production in the state remains vulnerable to the monsoon. Thus, the company’s performance can be impacted by a disproportionate increase in the net cane price. Further, after recent strikes by farmers to increase the minimum cane procurement price (excluding harvesting and transportation expenses), the Karnataka state government increased the cane price for SY2026 to Rs. 3,300/MT from Rs. 3,200/MT for a basic recovery rate of 11.25%. Of this, Rs. 50/MT is to be borne by the factory, and Rs. 50/MT subsidy will be offered by the state government.

Moreover, procurement of ethanol via the juice route was curtailed by the Government in FY2025 due to concerns over sugar production, which also impacted the profitability as ethanol is more profitable than sugar and has a better payment cycle. The average domestic sugar realisation improved by 7%/2% YoY over FY2024/FY2025 to ~Rs. 36/kg. However, during FY2025, a rise in cane costs per MT has been higher than the rise in realisations (sugar as well ethanol). The realisations improved by ~5% in H1 FY2026 to Rs. ~37.5-38.0/kg.

Profitability of sugar mills vulnerable to industry cyclicality and agro-climatic risks – Being an agri-commodity, the sugarcane crop depends on climatic conditions and is vulnerable to pests and diseases, which may influence the yield per hectare and the recovery rate. These factors can have a significant impact on the company’s profitability. Further, high dependence on a single crop may affect the yield and recovery rate. Nonetheless, VISL has been exploring other varieties to mitigate this risk to a certain extent.

In addition, the cyclicality in sugar production results in volatility in sugar prices. However, the sharp contraction in sugar prices could be curtailed after the introduction of MSP by the Central Government. Over the long term, higher ethanol production with increased diversion towards B-heavy molasses and direct sugar syrup is expected to help curtail the excess supply of sugar, thereby moderating the volatility in sugar prices and supporting stable cash flows from the sugar business.

Liquidity position: Stretched

The liquidity has been assessed as stretched because of the high working capital utilisation, ongoing term debt repayments, and modest free cash balances of Rs. 2.5 crore as on March 31, 2026. The liquidity position is further constrained by corporate guarantees extended towards suppliers’ borrowings aggregating ~Rs. 85 crore, which are reflected as debt in VSIL’s financials. The company’s cash accruals are expected to remain inadequate to fully cover the interest obligations and scheduled debt repayments, thereby necessitating reliance on the available drawing power to meet its debt servicing requirements.

Rating sensitivities

Positive factors – An upgrade will be backed by an improvement in the interest coverage ratio to above 1.75 times on a sustained basis and with overall stabilization of debt coverage metrics supported by improvement in operating profitability, which will depend on firm sugar prices, driven by favourable demand-supply dynamics and benefits from investments in forward integration, which will lower the volatility in cash flows from the sugar business.

Negative factors – Pressure on the rating could emerge if any significant decline in cane crushing, sugar prices or recovery rate, or increase in cane costs, further weakens the company’s profitability and debt coverage metrics.

Analytical approach

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

About the company

VISL was incorporated in 1995 as a public limited company. The company has an integrated sugar production facility at Bellad Bagewadi in the Belgaum district of north-west Karnataka. The company manufactures sugar, alcoholic spirits such as ethanol and rectified spirit, and vinegar. The company also has a co-generation unit from which it exports surplus power. By-products such as bagasse and molasses are used as raw materials to generate power and distillery products, respectively.

Key financial indicators (audited)

VISL (Standalone)	FY2024	FY2025	FY2026*
Operating income	550.0	454.3	376.8
PAT	14.5	-37.0	-28.2
OPBDIT/OI	12.2%	2.7%	-2.6%
PAT/OI	2.6%	-8.1%	-7.5%
Total outside liabilities/Tangible net worth (times)	2.0	1.9	2.3
Total debt/OPBDIT (times)	5.4	32.3	-43.2
Interest coverage (times)	2.2	0.4	-0.3

Source: Company, ICRA Research; *Result 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 (FY2027)				Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Jun 09, 2026	Date	Rating	Date	Rating	Date	Rating
Cash credit	Long term	260.00	[ICRA]BB-(Negative)	Nov 27, 2025	[ICRA]BB (Stable)	Oct 22, 2024	[ICRA]BB+ (Stable)	Oct 09, 2023	[ICRA]BB+ (Stable)
Term loans	Long term	32.88	[ICRA]BB-(Negative)	Nov 27, 2025	[ICRA]BB (Stable)	Oct 22, 2024	[ICRA]BB+ (Stable)	Oct 09, 2023	[ICRA]BB+ (Stable)
Unallocated limits	Long term	92.12	[ICRA]BB-(Negative)	Nov 27, 2025	[ICRA]BB (Stable)	Oct 22, 2024	[ICRA]BB+ (Stable)	Oct 09, 2023	[ICRA]BB+ (Stable)

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

ICRA-rated instruments that fall under the regulatory purview of various Financial Sector Regulators (FSR) are 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 that fall under the regulatory purview of various Financial Sector Regulators (FSR) are 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 – Cash credit	Simple
Long term – Fund based – Term loans	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 – Cash credit	NA	NA	NA	260.00	[ICRA]BB- (Negative)
NA	Long term - Fund based – Term loans	FY2021- FY2022	~11%- 13%	~FY2027- FY2033	32.88	[ICRA]BB- (Negative)
NA	Long term – Unallocated limits	NA	NA	NA	92.12	[ICRA]BB- (Negative)

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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