Dalmia Bharat Sugar & Industries Ltd — 09 Jul 2025 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	**Reaffirmed / Assigned** (Long-term: **CARE AA+; Stable**
Outlook (Current vs Prev)	**Stable** vs **Stable**
Key Drivers of Change	1. **Capacity Ramp-up:** Crushing capacity reached 43,200 TCD and Distillery to 950 KLPD; Revenue grew 28% to ₹3,755 Cr in FY25. 2. **Operational Efficiency:** Industry-leading recovery rates (13-14% in MH; 11-12% in UP) and successful integration of Baghauli plant. 3. **Deleveraging:** Total debt reduced to ₹1,044 Cr (from ₹1,430 Cr) despite ₹500 Cr+ capex/acquisitions in two years. 4. **Financial Cushion:** Holds 1.71% stake in Dalmia Bharat Ltd valued at ~₹582 Cr, enhancing liquidity flexibility.
Rated Instruments	1. **LT Cash Credit:** ₹872.50 Cr (CARE AA+; Stable) 2. **LT Term Loans:** ₹677.50 Cr (CARE AA+; Stable) 3. **ST BG/LC:** ₹200.00 Cr (CARE A1+)
Key Observations	**Strengths:** • Geographically diversified (UP & MH) mitigating agro-climatic risks. • Strong Group parentage (Dalmia Bharat) ensures high lender confidence. • Record sugar sales (5.9 LMT) and distillery volumes (18.18 Cr Liters) in FY25. • Robust GCA of ₹479 Cr against modest FY26 repayments of ₹65 Cr. **Risks/Concerns:** • Highly regulated industry (MSP, export quotas, ethanol pricing). • Working capital intensive: Inventory holding remains high at 195 days. • Margin contraction: PBILDT margin dipped to 12.76% (from 15.18%) due to high cane costs and grain-based ethanol shifts.
Investor Impact	**Growth:** Strong revenue trajectory (+28% YoY) driven by volume growth. **Margins:** Temporary dip in FY25; recovery expected in FY26 as ethanol diversion bans ease. **Leverage:** Excellent capital structure (Gearing 0.32x); "Net Debt to PBILDT" improved to 1.44x. **Dilution Risk:** Nil; expansion is funded through internal accruals and low-cost debt.
Agency / Cross Analysis	**Same Agency:** Maintained status quo on ratings but shifted analytical approach from **Consolidated to Standalone** following the merger of BSDL. **Financial Alignment:** Rating reflects the strengthening balance sheet (Debt/EBITDA improved from 3.21x to 2.18x) despite industry-wide regulatory headwinds. **Conclusion: Improvement.** The credit profile is decoupling from sugar cyclicality via distillery expansion.
Final Inference	**Real fundamental improvement.** The company has successfully transition to a high-distillery model, utilizing the Dalmia Group's balance sheet strength to deleverage even during a heavy capex cycle. Equity upside depends on the expected FY26 margin recovery as regulatory restrictions on ethanol subside.