Dalmia Bharat Sugar & Industries Ltd — Rating update 1d Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	**Reaffirmed** at CARE AA+ (Long Term) and CARE A1+ (Short Term).
Outlook (Current vs Previous)	**Stable vs Stable**
Key Drivers of Change	• **Strong Parentage:** Part of Dalmia Bharat Group; holds □568 Cr equity in Dalmia Bharat Ltd (18% of NW), providing massive financial flexibility. • **Operational Efficiency:** Industry-leading recovery rates (12-13% in UP, 14-15% in MH) and 12.3% Revenue CAGR (FY21-26). • **Integrated Model:** Diversified revenue (63% Sugar, 33% Distillery) cushions sugar cyclicality; current capacity at 43,200 TCD and 950 KLPD. • **Strategic Expansion:** Acquisition of Baghauli plant (100 KLPD) and 51% stake in Eagle Agrotech enhances feedstock security and scale.
Rated Instruments	• **LT Cash Credit:** □1,370.00 Cr | CARE AA+; Stable • **LT Term Loan:** □531.89 Cr | CARE AA+; Stable • **ST BG/LC:** □200.00 Cr | CARE A1+
Key Observations	• **Strengths:** Geographical diversification (UP & MH) mitigates agro-climatic risks; strong liquidity of □ 1,093 Cr. • **Strengths:** Low term debt repayment obligations (□70-80 Cr/year) relative to GCA (~□370 Cr). • **Risks:** Revenue dipped 3% YoY (FY26) to □3,630 Cr due to lower cane availability in UP. • **Risks:** Margin contraction (PBILDT 13.06% → 12.07%) due to SAP hike (+□30/Qtl) and static ethanol prices. • **Risks:** Working capital intensive with elongated cycle of 189 days (FY26) vs 171 days (FY25).
Investor Impact	• **Growth:** Long-term positive on ethanol blending government push; short-term volume pressure in UP. • **Margins:** Temporary pressure from rising raw material (SAP/FRP) costs without commensurate ethanol price hikes. • **Leverage:** Gearing rose (0.34x to 0.54x) due to WC debt, but remains very comfortable; no immediate dilution risk. • **Asset Value:** Significant "hidden" value in listed group investments (DBL) protects equity downside.
Agency / Cross Analysis	**Same Agency:** CARE maintained the high-investment grade rating despite a moderation in PAT (□238 Cr in FY26 vs □366 Cr in FY25) and lower Interest Coverage (7.02x vs 7.76x). **Conclusion: Improvement in resilience.** The agency prioritizes the "Dalmia" group strength and geographic hedge over temporary industry-wide operational headwinds in the UP sugar belt.
Final Inference	**Real Improvement in Resilience.** Despite cyclical headwinds and margin compression, the company is using its "war chest" (liquid investments + group backing) to expand capacities. It remains a low-risk play within a high-risk sector.