

THE UGAR SUGAR WORKS LIMITED.

Works * Ugar Khurd – 591 316, Dist.Belgaum, Karnataka
E-mail * helpdesk@ugarsugar.com
Regd. Office * Mahaveernagar, Sangli – 416 416, Maharashtra.
E-mail * usw.sangli@ugarsugar.com.

Phone * -91 8339 274000 (5 Lines) Fax * -918339 272232
Website * www.ugarsugar.com
Phone * -91 233 2623717, 2623716 Fax * -91 233 2623617
TIN No. * 29520007001, PAN-AAACT7580R
GSTIN NO * 29AAACT7580R1ZD. ECC No.AAACT7580 RXM001.
(CIN – L15421PN1939PLC006738)

Sec/

Date: 22/05/2025

To,
The Executive Director,
Bombay Stock Exchange Ltd.,
P J Towers, Dalal Street,
Mumbai.
Tel No: (022) 22721234
Fax No: (022) 22721278/22722039

To,
Corporate Communications
National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block
Bandra-Kurla Complex, Bandra (E)
Mumbai - 400 051
Tel No: (022) 26598148
Fax No: (022) 26598120

Dear Sir,

Sub: Credit rating revision from Care Edge dated May 21, 2025.

Please find below the Credit rating received form CareEdge:

Facilities/Instruments	Amount (₹ crore)	Rating	Rating Action
Long-term bank facilities	700.00 (Enhanced from 600.00)	CARE BB+; Negative	Downgraded from CARE BBB-; Stable
Fixed deposit	80.00	CARE BB+; Negative	Downgraded from CARE BBB-; Stable

We are attaching herewith the letter received from CareEdge in respect of Credit rating for bank facilities dated May 21, 2025.

This is for your Kind information

Thanking you,
Yours faithfully,
For The Ugar Sugar Works Ltd.

Tushar Deshpande
Company Secretary
M. No: A45586

The Ugar Sugar Works Limited

May 21, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	700.00	CARE BB+; Negative	Downgraded from CARE BBB-; Stable
Fixed deposit	80.00	CARE BB+; Negative	Downgraded from CARE BBB-; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has downgraded the rating assigned to bank facilities and fixed deposit (FD) instrument of The Ugar Sugar Works Limited (USWL) from 'CARE BBB-' to 'CARE BB+' and outlook revised from Stable to Negative.

Revision in ratings reflects significant under-achievement of profitability by the company in FY25 (refers to April 01, 2024, to March 31, 2025) primarily due to lower sugarcane crushing, increase in fair and remunerative price (FRP) on sugarcane though minimum selling price (MSP) as well ethanol prices from sugar syrup remaining unchanged. Lower profitability and increase in debt levels have led to deterioration in capital structure and debt coverage indicators. With upcoming high debt repayments and inherent agro-climatic and regulatory risks associated with sugar industry, the company's liquidity is likely to remain under stress in near term and hence Negative Outlook.

CARE Ratings continues to positively factor in the company's diversified revenue streams from sugar, ethanol and co-generation, leading to mitigation of the risk related to the cyclical and seasonal sugar industry to a certain extent. For FY26, CARE Ratings notes the company plans to operate distillery on maize which is expected to reduce the loss/ achieve break-even in H1FY26 which would help in improving the profitability for FY26. USWL's ability to sustainably improve its capacity utilisation for ethanol production, while maintaining low inventory levels under the sugar segment and offsetting losses in the upcoming quarters will be a key monitorable for its credit profile.

Ratings also consider cordial relations with local framers, leading to adequate procurement of cane, presence in a high recovery zone, and positive push from the government to achieve the ethanol blending programme (EBP) timelines. Ratings also derive strength from experienced promoters and their established presence in the sugar and related industries.

However, rating strengths are partially offset by the company's presence in a working capital-intensive business, and its operations in a cyclical and regulated the industry, which is inherent to agro-climatic risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustainable scale of operations above ₹1,200 crore with a profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 8% and an interest coverage above 3.0x with total outside liabilities to tangible net worth (TOL/TNW) below 3x.

Negative factors

- Decline in PBILDT below 3%.
- Debt-funded capex, resulting an overall gearing of over 3.50x and total debt to profit before interest, lease rentals, depreciation, and taxation (TD/PBILDT) of over 15.0x.

Analytical approach: Standalone

Outlook: Negative

Revision in outlook from 'Stable' to 'Negative' reflects the company's liquidity is expected to remain under stress due to high upcoming debt repayments and uncertainty around estimated sugarcane availability which is inherently exposed to vagaries of nature. The outlook may be revised to stable in case the company is able to generate estimated profitability for FY26.

Detailed description of key rating drivers:

Key weaknesses

Profitability declined in FY25 however expected to improve in H1FY26

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Though the company's scale of operations improved from ₹1149 crore in FY24 to ₹1329 crore in FY25 mainly supported by distillery division which contributed 47% total revenue in FY25 against 36% in FY24. However, the company reported negative profit before tax (PBT) of ₹22.11 crore in FY25 against ₹29.80 crore PBT in FY24 owing to lower than estimated sugar crushing, increase in sugarcane's FRP without corresponding increase in sugar's MSP and non-revision in ethanol prices produced from cane syrup. The company had done substantial investments in the distillery division, leading to increased interest and repayment obligations, and higher depreciation expenses.

The company has 800 KLPD distillery unit of which 400KLPD can also be operated on multi-feed basis. In FY26, the company is planning to operate the 400KLPD unit on maize feed which has better margins and therefore expects to minimise the losses in off season.

Moderate capital structure and debt coverage indicators

The company's debt profile consists of term loans, working capital borrowing, harvest and transportation loan and unsecured loan from promoters. The company has high working capital requirements in the peak season and to procure primary raw material, sugarcane and manufacture sugar in this period. The company has also started procuring maize for ethanol production and due to high raw material cost in FY25, the company's working capital borrowings increased significantly thus increasing overall debt profile against declined profitability. On an absolute basis, PBILDT declined which resulted in lower accretion of profit to the net worth resulting moderating overall gearing and TOL/TNW from 2.42x and 3.90x as on March 31, 2024, to 2.83x and 4.21x, respectively, as on March 31, 2025. Interest cover also deteriorated from 1.59x in FY24 to 0.83x in FY25 owing to decline in PBILDT on absolute terms against high interest cost.

Working capital-intensive business

The sugar industry being seasonal has high working capital requirements in peak season, which is from October to April, as this is the season of procurement and crushing. Companies have high working capital requirements in the peak season to procure their primary raw material, sugarcane and manufacture sugar in this period. The company's operating cycle generally remains elongated, working capital borrowings increased from ₹365 crore as on March 31, 2024, to ₹444 crore as on March 31, 2025. The company reported inventory stock of ₹526 crore as on March 31, 2025, against ₹485 crore as on March 31, 2024. In relation to receivables for ethanol sales, the company receives payments from oil manufacturing companies (OMCs) in 20 days from the date of sale to customers and receives payments in one month from Escoms for the sale of power. USWL clears its creditors, the farmers, generally within 14-15 days.

Cyclical and regulated sugar business

The industry is cyclical and vulnerable to government policies due to its importance in the wholesale price index (WPI), as it classifies as an essential commodity. The government on its part resorts to regulations such as fixing the raw material prices in the form of State Advised Prices (SAP) and Fair & Remunerative Prices (FRP). These factors impact cultivation patterns of sugarcane in the country, affecting profitability of sugar companies. The company's performance can be impacted by disproportionate increase in cane price in a particular year. Profitability remains vulnerable to government's policies on exports, MSP and remunerative ethanol prices. Cyclical nature in sugar production results in volatility in sugar prices. However, sharp contraction in sugar prices is curtailed after the central government introduced MSP in June 2018.

Key strengths

Extensive experience of promoters in the sugar industry

USWL was set up in 1939 in the Ugar Khurd, Karnataka with an installed capacity of 500 tonne of cane per day (TCD) and has ~85 years; experience in sugar business. Currently, the company operates two sugar units – one in Ugar, Khurd and another in Jewargi, Kalaburgi, in Karnataka. The company has a total installed capacity of 24,200 TCD with a 59.50- megawatt (MW) co-generation unit and an 845-kilolitre per day ethanol plant in the sugar season, which can be converted to a 400-KLPD grain-based ethanol plant in the offseason. The company is part of the Shirgaokar Group (SB group) and is actively managed by Neeraj Shirgaokar and Chandan Shirgaokar as the company's managing directors, supported by an experienced management team.

Integrated business model with diversified revenue streams

USWL's Khurd unit currently operates a 20,000 TCD sugar plant and a co-generation unit with an installed capacity of 44 MW and the company had an existing molasses-based distillery with an installed capacity of 45 KLPD, which was primarily used for spirit and Indian-made foreign liquor (IMFL). In December 2022, the company commissioned its 800 KLPD sugarcane juice-based distillery operations for producing ethanol. The integrated operations mitigate risk associated with sugar price volatility and its cyclical nature to some extent. The plant also has a capacity of 400 KLPD grain-based ethanol in the off season. The company has been procuring raw material (maize) and will be producing ethanol from maize/FCI in first half of current fiscal year to ensure better margins. However, considering the company availed debt for expansion of its distillery capacity and hence operationalisation of ethanol production plant at envisaged levels and healthy revenue stream from this would be a key monitorable. The company also has another unit at Jewargi with a 4,200 TCD capacity. The unit is partially integrated with a co-generation installed capacity of 15.5 MW. However, the company does not have other distillery capacity under the Jewargi unit.

Adequate procurement of cane and presence in a high recovery zone

The command area of Ugar comprises over 80 villages with total land under sugarcane cultivation of ~76,000 acre. Nearby sugar factories to the Ugar-Khurd unit includes Athani Sugars Limited (rated 'CARE BBB-; Stable'), Shiraguppi Sugars Works Limited, and Raibaug SSK, and close to the Jewargi unit is Renuka Sugars Limited. The command area has been well-irrigated over with consistent water supply through rivers such as Krishna, which is ~1 km from the plant and from where water is distributed to agricultural lands and industries around Ugarkhurd and Jewargi units, respectively. The favourable climatic conditions and adequate irrigation facilities have rendered sugarcane with a high recovery rate ranging between 10.8-11.7%. Promoters have a wide acceptance among local farmers and enjoy cordial relationships, facilitating the company's cane procurement initiatives on such a large scale (average crushing of ~20 lakh metric tonne [MT] in the last three crushing seasons).

Liquidity: Stretched

The company's liquidity is constrained by high upcoming debt repayments and lower than estimated crushing done by the company in the last two years, which has led to increased working capital borrowings. As against earlier levels of working capital utilisation of 50-60% utilisation, it has now increased to 70-80%. It is important for the company to generate envisaged profitability in FY26 to ensure the company maintains adequate debt service coverage ratio. The company had cash and bank balance of ₹18.93 crore as on March 31, 2025.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Sugar Sector](#)

[Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Agricultural food and other products	Sugar

USWL was set up in 1939 in the Ugar Khurd, Karnataka, with an installed capacity of 500 TCD. Currently, the company operates two sugar units – one in Ugar, Khurd and another in Jewargi, Kalaburgi, in Karnataka. The company has a total installed capacity of 24,200 TCD with a 59.50-MW co-generation unit and a 845-KLPD multi feed distillery. In FY23, the company commissioned its 800 KLPD direct route (cane juice or syrup route)-based ethanol plant, which can be converted to a 400-KLPD grain-based ethanol plant in the offseason. The company is part of the Shirgaokar Group (SB group) and is actively managed by Neeraj Shirgaokar and Chandan Shirgaokar as the company's managing directors, supported by an experienced management team.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (Abridged)
Total operating income	1,149.73	1,329.83
PBILDT	70.57	40.43
PAT	21.14	-16.25
Overall gearing (times)	2.42	2.83
Interest coverage (times)	1.59	0.83

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fixed Deposit	-	-	-	-	80.00	CARE BB+; Negative
Fund-based - LT-Cash Credit	-	-	-	-	466.00	CARE BB+; Negative
Fund-based - LT-Term Loan	-	-	-	March 2028	234.00	CARE BB+; Negative

Company has not yet raised amount under Fixed deposit program.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Term Loan	LT	234.00	CARE BB+; Negative	-	1)CARE BBB-; Stable (03-Jan-25)	1)CARE BBB-; Stable (17-Nov-23) 2)CARE BBB-; Positive (19-Jul-23)	-
2	Fund-based - LT-Cash Credit	LT	466.00	CARE BB+; Negative	-	1)CARE BBB-; Stable (03-Jan-25)	1)CARE BBB-; Stable (17-Nov-23) 2)CARE BBB-; Positive (19-Jul-23)	-
3	Fixed Deposit	LT	80.00	CARE BB+; Negative	-	1)CARE BBB-; Stable (03-Jan-25)	-	-

LT: Long term.

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fixed Deposit	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Saikat Roy Senior Director CARE Ratings Limited Phone: +91-22-67543404 E-mail: saikat.roy@careedge.in</p>	<p>Analytical Contacts</p> <p>Karthik Raj K Director CARE Ratings Limited Phone: +91-80-46625555 E-mail: karthik.raj@careedge.in</p> <p>Himanshu Jain Associate Director CARE Ratings Limited Phone: +91-80-46625528 E-mail: himanshu.jain@careedge.in</p> <p>Preeti Narkhede Analyst CARE Ratings Limited E-mail: Preeti.Narkhede@careedge.in</p>
---	---

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

Disclaimer:

This disclaimer pertains to the ratings issued and content published by CARE Ratings Limited ("CareEdge Ratings"). Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. Any opinions expressed herein are in good faith and are subject to change without notice. The rating reflects the opinions as on the date of the rating. A rating does not convey suitability or price for the investor. The rating agency does not conduct an audit on the rated entity or an independent verification of any information it receives and/or relies on for the rating exercise. CareEdge Ratings has based its ratings/outlook on the information obtained from reliable and credible sources. CareEdge Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. The users of the rating should rely on their own judgment and may take professional advice while using the rating in any way. CareEdge Ratings shall not be liable for any losses that user may incur or any financial liability whatsoever to the user of the rating. The use or access of the rating does not create a client relationship between CareEdge and the user.

CAREEDGE RATINGS DISCLAIMS WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR OTHER WARRANTIES OR CONDITIONS, TO THE EXTENT PERMITTED BY APPLICABLE LAWS, INCLUDING WARRANTIES OF MERCHANTABILITY, ACCURACY, COMPLETENESS, ERROR-FREE, NON-INFRINGEMENT, NON-INTERRUPTION, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE OR INTENDED USAGE.

Most entities whose bank facilities/instruments are rated by CareEdge Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CareEdge Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. CareEdge Ratings does not act as a fiduciary by providing the rating. The ratings are intended for use only within the jurisdiction of India. The ratings of CareEdge Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades. CareEdge Ratings has established policies and procedures as required under applicable laws and regulations which are available on its website.

Privacy Policy applies. For Privacy Policy please refer to https://www.careratings.com/privacy_policy

© 2025, CARE Ratings Limited. All Rights Reserved.

This content is being published for the purpose of dissemination of information. Any use or reference to the contents herein on an "as-is" basis is permitted with due acknowledgement to CareEdge Ratings. Reproduction or retransmission in whole or in part is prohibited except with prior written consent from CareEdge Ratings.

**For detailed Rationale Report and subscription information,
please visit www.careratings.com**