Press Release

LH Sugar Factories Limited

October 09, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	[Complexity Indicator]()
Long Term Bank Facilities	476.73 (Reduced from Rs. 484.38)	IVR A-/Stable (IVR Single A Minus with Stable Outlook)	IVR A-/Stable (IVR Single A Minus with Stable Outlook)	Rating Reaffirmed	Simple
Short Term Bank Facilities	22.50 (Enhanced from Rs. 20)	IVR A2+ (IVR A Two Plus)	IVR A2+ (IVR A Two Plus)	Rating Reaffirmed/Assigned	Simple
Total	**499.23**	**Rupees Four Hundred Ninety-Nine Crore and Twenty-Three Lakhs Only**			

Details of Facilities/Instrument are in Annexure 1

Facility wise lender details are at Annexure 2

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Limited (IVR) has reaffirmed the long term rating at IVR A- with a Stable outlook and short-term rating at IVR A2+ for the bank loan facilities of LH Sugar Factories Limited (LSFL).

The rating draw comfort from the established track record of operations and experienced management, integrated business model and diversified revenue stream, locational advantage and comfortable financial risk profile. However, these strengths are partially offset by decline in total operating income and operating profitability, working capital intensive nature of operations, susceptibility to regulatory changes and inherent volatility in sugar prices and agro climatic risks and cyclical trends in the industry.

The 'Stable' outlook indicates LSFL's will continue to benefit from its operational track record in the business and regular inflow of orders. It is believed that the with sugar inventories getting rationalised, demand-supply balance levelling out and considerable increase in ethanol sales, the cash flows of integrated sugar mills is going to enhance.

IVR has principally relied on the standalone audited financial results of LSFL upto 31 March 2025 (refers to period April 1st, 2024, to March 31, 2025), 5MFY26 unaudited results and projected financials for FY2026, FY2027 and FY2028, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:
Upward Factors

- Substantial improvement in the scale of operations with TOI above Rs. 1270 crore and EBITDA margins
- Improvement in debt protection metrics
- Sustenance of the overall gearing below 0.55x

Downward Factors

- Significant reduction in the scale of operations and profitability margins,
- Deterioration in debt protection metrics and overall gearing

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of operations and experienced management:**
  The company commenced its operations in March 1993 and has a successful track record of more than three decades in the existing line of business. Overall activities of LSFL are managed by eleven directors with Mr. Sidharth Prasad being the Chairman cum Director. He has experience of more than 3 decades in the sugar business. He is ably supported by other directors who have effective experience in existing line of business as well as supported by qualified and well experienced management team. This management approach has fostered strong relationships with sugarcane farmers, resulting in lower cane arrears than other local mills.

- **Integrated business model and diversified revenue stream:**
  The company is forward integrated into cogeneration and distillery operations that de-risk its core sugar business to some extent. LSFL has sugar plant situated in Philibhit, Uttar Pradesh with overall running of 12,500 TCD. In sugar segment, the total operating income (TOI) decreased to Rs. 698.48 crore in FY2025 from Rs. 704.55 crore in FY2024 due to decrease in sale volume as lower cane was crush as compared to previous seasons because of lower yield of cane crop in Uttar Pradesh. The company also operates molasses-based and grain-based distillery of 160 KPLD for ENA and Ethanol production The total operating income from distillery division has decreased to Rs. 220.09 crore in FY2025 from Rs. 244.78 crore in FY2024 as the UP government has changed the molasses ratio from October 2024 onwards which resulted in lower production of Ethanol and higher of ENA which has relatively lower selling price than ethanol. Apart from sugar operations, LSFL has a bagasse-based cogeneration power plant of 44.25 MW (17 MW exportable) capacity at the sugar plant. The power produced by the cogeneration plants is utilised for running the own sugar mills and surplus power is exported. The total operating

income from power sale stood at Rs. 18.68 crore in FY2025. The operational metrics of all the segments are expected to remain healthy going forward as well.

- **Locational advantage:**
  The company plants have locational advantages ensuring steady availability of cane. The company's plants are located near the sugarcane belts of Uttar Pradesh.

- **Comfortable financial risk profile:**
  The tangible networth improved to Rs. 494.70 crore in FY2025 from Rs. 479.82 crore in FY2024. The overall gearing and leverage (TOL/TNW) remained comfortable at 0.95x and 1.22x respectively in FY2025.

Key Rating Weaknesses

- **Decline in total operating income and operating profitability:**
  Total operating income (TOI) has marginally declined by 4.55% in FY2025 to Rs. 948.26 crore from Rs. 993.45 crore in FY2024 due to decrease in sales volume in sugar and distillery division as lower cane was crush as compared to previous seasons because of lower yield of cane crop in Uttar Pradesh. Operating profitability (EBITDA) has declined in absolute and percentage terms to Rs. 66.93 crore (7.06%) in FY2025 from Rs. 101.21 crore (10.19%) in FY2024 due to decrease in TOI as well as due to lower cane crushing and sugar recovery in the sugar season 2025 (SS25: October 2024-September 2025) and losses in the distillery business following high production costs. However, in 5MFY26 the TOI and operating profitability has started improving and stood at Rs. 505.02 crore and Rs. 34.94 crore respectively.

- **Working capital intensive nature of operations:**
  LHSFL's operations are working capital intensive in nature, supported largely by bank borrowings. The sugar industry being seasonal in nature has high working capital requirements during the peak season which is from November to May. The companies have high working capital requirements during the peak season to procure their primary raw material, i.e., sugarcane and manufacture sugar during this period

- **Susceptibility to regulatory changes and inherent volatility in sugar prices:**
  The sugar industry is susceptible to movements in sugarcane and sugar prices which result in volatile profitability. While the government policy of FRP/SAP for sugarcane has brought some amount of stability and predictability in input price, open market sugar price remains dependent on the demand-supply scenario. Besides, the government regulates domestic demand-supply through restrictions on imports and exports, sugar release orders and buffer stock limits. Government interventions will remain a driver for the profitability of sugar mills and continue as a key rating sensitivity factor.

- **Agro climatic risks and cyclical trends in the industry:**
  The profitability of sugar mills will remain vulnerable to the agro-climatic risks related to cane production. Being an agricultural product, the sugarcane crop is dependent upon weather 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 have a significant impact on the company's revenue and profitability.

Analytical Approach: For arriving at the ratings, IVR has analysed LSFL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-Financial Sector)
Criteria for Assigning Rating Outlook
Policy of Default recognition

Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The company has an adequate liquidity position. There are long-term secured borrowings from banks, amounting to Rs. 101.02 crore, as on 31st March 2025. Against a current portion of long-term debt (CPLTD) of Rs 39.57 crore in FY2025, the company had a cash accrual of Rs. 42.45 crore in FY2025. The company projected to generate cash accruals between Rs. 41.91 crore to Rs.113.23 crore in FY2026-FY2028 which are sufficient for future repayment obligations. With the adequate expected cash accruals against repayments, the liquidity position will remain adequate.

About the Company

LH Sugar Factories Limited (LSFL) was incorporated in 1993 under the leadership of Mr. Bharat Swaroop and Mr. Sidharth Prasad. The company is engaged in manufacturing and sale of Sugar, Power and Ethanol/ENA. The company manufacturing plant is located at Philibhit district in Uttar Pradesh. The plant has total installed capacity of 12,500 Tons of Cane per Day (TCD) of sugar crushing, 160 KLPD of distillery and 44.25 Megawatt (MW) of cogenerated power.

Financials (Standalone):

(Rs. crore)

For the year ended as on	31-03-2024	31-03-2025
	Audited	Audited
Total Operating Income	993.45	948.26
EBITDA	101.21	66.93
PAT	43.73	18.57
Total Debt	426.46	467.92
Tangible Networth	479.82	494.70
EBITDA Margin (%)	10.19	7.06
PAT Margin (%)	4.39	1.96
Overall Gearing Ratio (x)	0.89	0.95
Interest Service Coverage Ratio (x)	5.96	3.25

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Type of Instrument/Facility	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25 11 July 2024	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
1.	Fund Based	Long Term	476.73	IVR A-/Stable	IVR A-/Stable	-	-
2.	Non-Fund Based	Short Term	22.50	IVR A2+	IVR A2+	-	-

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit/WCDL	-	-	-	400.00	IVR A-/Stable
Term Loan-1	-	-	December 2025	3.27	IVR A-/Stable
Term Loan-2	-	-	September 2027	6.68	IVR A-/Stable
Term Loan-3	-	-	March 2028	38.75	IVR A-/Stable
Term Loan-4	-	-	February 2034	11.23	IVR A-/Stable

Term Loan-GECL	-	-	March 2029	16.80	IVR A-/Stable
Bank Guarantee	-	-	-	20.00	IVR A2+
CEL	-	-	-	2.50	IVR A2+

Annexure 2: Facility wise lender details:
LEN-LHSugar9Oct25.pdf
Annexure 3: Detailed explanation of covenants of the rated securities/facilities: Not Applicable
Annexure 4: List of companies considered for consolidated/combined analysis: Nil
Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.