Press Release

K.M. Sugar Mills Limited

July 11, 2025

Ratings

Security/ Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	287.31 (Reduced from 296.94)	IVR A-; Stable (IVR A Minus with Stable Outlook)	IVR A-; Stable (IVR A Minus with Stable Outlook)	Rating Reaffirmed	Simple
Short Term Bank Facilities	7.00	IVR A2+ (IVR A Two Plus)	IVR A2+ (IVR A Two Plus)	Rating Reaffirmed	Simple
Total	**294.31 (INR Two Hundred Ninety-Four Crore and Thirty-One Lakh Only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of K.M. Sugar Mills Limited (KMSML) continue to derive comfort from its experienced promoters and management team, benefits from integrated operations and favourable policy framework. The ratings also positively note the improvement in overall profitability thereby resulting in improvement in debt coverage indicators in FY2025 (FY refers to the period from April 01 till March 31). The ratings also consider improvement in capital structure as on March 31, 2025. These rating strengths are, however, constrained by working capital intensive nature of operations of the company, exposure to group company – Sonar Casting Limited (SCL), exposure of the business to vagaries of nature, risk related to government regulations and cyclical nature of the sugar industry.

The stable outlook on the rating reflects Infomerics's opinion that KMSML will continue to maintain its revenue and profitability, supported by its integrated operations and comfortable liquidity position in the near to medium term.

Key Rating Sensitivities:

Upward Factors:

- Improvement in cane crushing levels and recovery rate, along with favourable demand supply dynamics, firm sugar prices over a sustained period and consequent improvement in profitability and debt coverage metrics.
- Improvement in capital structure with improvement in overall gearing to below 1.00x.

Downward Factors:

- Decline in the cane crushing volumes or recovery rate or an increase in the cane prices resulting in deterioration of profitability and debt coverage metrics.
- Any unplanned capex leading to moderation in the capital structure marked by deterioration in overall gearing ratio to over 2x.
- Deterioration in working capital management leading to stretch in liquidity
- Significant rise in exposure to group company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and management**

Mr. L K Jhunjhunwala, is the Chairman of the company with an extensive experience of more than 5 decades in the Sugar industry. Mr. Aditya Jhunjhunwala, Managing Director of the company, looks after the day-to-day operations and has almost three decades of experience in this line of business. Mr. Sanjay Jhunjhunwala, who has business experience of over two decades is a Joint Managing director in the company. He looks after commercial operations and the distillery business. The promoters are supported by a team of experienced and qualified management personnel.

- **Benefits from integrated operations**

KMSML's operations are integrated, which has led to better absorption of fixed cost. The company has a crushing capacity of 9,500 TCD per day. Sugar recovery in Sugar Season (SY25) stood at 11.01% (SY24:11.35%), and crushing period stood at 121 days in SY25 (SY24: 144 days). Additionally, the integrated plant includes a distillery with a capacity of 50 KLPD and a cogeneration plant with a capacity of 25 megawatts (MW). The cogeneration and distillery units provide alternative revenue streams and some cushion against the cyclicality of the sugar business. Furthermore, the integrated nature of operations supports the overall profitability of KMSML.

- **Improvement in overall profitability in FY2025; albeit marginal growth in top line**

Total operating income (TOI) in FY2025 has remained at the same level as that of FY2024 with marginal increase from Rs.657.16 crore in FY2024 to Rs.659.01 crore in FY2025. Though sugar sales decreased from Rs.547.58 crore in FY24 to Rs.527.40 crore in FY25 mainly due to decrease in sales volume from 14.35 lakh quintal in FY24 to 13.35 lakh quintal in FY25, yet the same was compensated by an increase in overall sales realisation. Sugar production also decreased from 15.50 lac quintals in FY24 to 12.51 lac quintals in FY25 due to lower cane availability. Consequently, the sales of Ethanol, which is produced from molasses, a byproduct of sugar, also dropped from Rs.61.48 crore in FY24 to Rs.42.76 crore in FY25. Nevertheless, sales of country liquor increased from Rs.14.45 crore in FY24 to Rs.48.45 crore in FY25 due to substantial increase in market demand in the country liquor segment. Despite a marginal growth in the top line in FY25 as compared to FY24, EBITDA increased from Rs.69.75 crore in FY24 to Rs.81.68 crore in FY25 resulting in increase in EBITDA margin from 10.61% in FY24 to 12.39% in FY25. The increase in operating profit in FY25 is majorly driven by an increase in sales realisation of sugar without corresponding increase in cane prices coupled with decrease in operational overheads. Consequently, PAT margin increased from 4.22% in FY24 to 5.33% in FY25. Gross cash accruals also increased from Rs.51.23 crore in FY24 to Rs.57.34 crore in FY25. The company's ability to improve its scale of operations while maintaining is profit margins will remain a key rating monitorable going forward.

- **Improvement in capital structure and debt coverage indicators in FY2025**

The capital structure of the company marked by long term debt equity ratio and overall gearing improved from 0.32x and 1.86x respectively as on March 31, 2024, to 0.18x and 1.34x respectively as on March 31, 2025, driven by subsequent repayments of term debts and accretion of profits to reserves. The adjusted tangible net worth of the company stood at Rs.210.30 crore as on Marh 31, 2025 (after adjusting exposure to group companies amounting to Rs.81.89 crore). Total indebtedness as reflected by TOL/ATNW remained comfortable at 1.86x as on March 31, 2025. Further, with overall increase in profit levels, the debt coverage indicators marked by ICR improved and remained comfortable at 4.50x in FY25 (PY:4.22x). Total debt/EBITDA and Total debt/GCA also improved from 4.17x and 5.68x respectively as on March 31, 2024, to 3.45x and 4.92x respectively as on March 31, 2025.

- **Favorable policy framework**

The Government of India (GoI) has been supporting the sugar industry through various measures such as continuation of Minimum Support Price (MSP), soft loans for clearing cane dues, interest subvention loans for ethanol capacity creation and expansion and remunerative prices for ethanol, resulting in improved domestic demand-supply balance. Additionally, the GoI has preponed the ethanol blending program timeline to 2025 from 2030 for 20% mandatory blending of ethanol with petrol. All these measures of GOI will support the sugar producers.

Key Rating Weaknesses

- **Working capital intensive nature of operations.**

Since sugar is an agro-based commodity, the sugar inventory is piled up during the crushing season and gradually released till the commencement of the next crushing season, resulting into high inventory carrying cost, high inventory days of 237 and requirement of higher working capital along with high creditors days of 75 days in FY25.

- **Exposed to vagaries of nature**

Being an agro-based industry, performance of KMSML is dependent on the availability of sugarcane crop and its yield, which may get adversely affected due to adverse weather conditions. The climatic conditions and pest related attacks have a bearing on the cane output, which is the primary feedstock for a sugar producer. Climatic conditions, precisely monsoons influence various operational structures for a sugar entity, such as the crushing period and sugar recovery levels.

- **Exposure to group company**

The company has significant exposure to its group entity - SCL in the form of corporate guarantees and inter-company loans. As of fiscal 2025, corporate guarantees amounting to Rs.68.66 crore and loans and advances of Rs.11.24 crore have been extended to SCL. Also, KMSML holds 19.82% equity shares in SCL and has invested in 12.50% non-cumulative redeemable preference shares of SCL to the tune of Rs.49.60 crore as on March 31, 2025. Such high exposure to group entities constrains the financial flexibility of the company and any further increase in exposure will be a key credit monitorable. However, there are no operational linkages with SCL.

- **Exposure to risk related to government regulations**

The Sugar industry is highly exposed to risks related to Government regulations. Various Government Acts virtually govern all aspects of the business, which include the availability and pricing of sugarcane, sugar trade and by - product pricing. The procurement of sugarcane by the sugar entities is governed by the Sugarcane (Control) Order, 1966, which stipulates that the mills need to source their sugarcane only from the command area allocated to them. The order also makes it mandatory for the sugar mill to necessarily uplift the entire sugarcane production of the farmer, irrespective of the market demand, which has a considerable impact on the inventory holding pattern. Further, Government intervention also exists to control the sugar prices to curb food inflation and stabilize the sugar prices in the domestic market. Moreover, ethanol-blending policy is also highly regulated by the government. Vulnerability in business due to Government regulations is likely to continue over the medium term.

- **Cyclical nature of the sugar business**

The key parameters of the sugar supply in the domestic market for a given sugar season are typically controlled by factor like domestic sugar production, opening sugar stock levels and global sugar production and sugar imports. The industry is highly cyclical in nature because of variations in sugarcane production in the country.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity position of the company is likely to remain adequate marked by sufficient cash accruals as against its debt repayment obligations in the near to medium. The Company's average fund-based working capital limit utilisation stood moderate at ~67% for the last 12 months ended June 2025 indicating adequate buffer in its working capital limits. Further, the company has a strong net worth (adjusted) of Rs.210.30 crore as on March 31, 2025. Furthermore, the company has free cash and cash equivalents to the tune of Rs.6.80 crore as on March 31, 2025, which is expected to support the liquidity profile of the company in the near to medium term. The current ratio of the Company stood moderate at 1.12x as on March 31, 2025.

About the Company

Incorporated in 1971, K.M. Sugar Mills Limited (KMSML) is engaged in the manufacturing and sales of sugar. Its segments include Sugar, Distillery and Power. The Company's manufacturing unit is located in District Ayodhya, Uttar Pradesh. The Sugar Division of the Company has a crushing capacity of 9500 tons per day and produces white crystal sugar and raw sugar for domestic consumption and export purpose. The Distillery division of the company has a capacity of 50 KLPD and manufactures rectified spirit, ethanol and other related products. The company has its own bagasse-based co-gen power plant with the capacity of 25 megawatt (MW). The company supplies the power to Uttar Pradesh Power Corporation Limited (UPPCL).

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2024	31-03-2025
	Audited	**Audited**
Total Operating Income	657.16	659.01
Total Income	665.65	666.38
EBITDA	69.75	81.68
PAT	28.09	35.55
Total Debt	291.13	281.85
Adjusted Tangible Net worth	156.21	210.30
EBITDA Margin (%)	10.61	12.39
PAT Margin (%)	4.22	5.33
Overall Gearing Ratio (x)	1.86	1.34
Interest Coverage (x)	4.22	4.50

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Rating (Year 2025-26)			Rating History for the past 3 years					
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24				Date(s) & Rating(s) assigned in 2022-23
					May 14, 2024	March 21, 2024	February 12, 2024	November 29, 2023	April 03, 2023	-
1	Term Loan/GECL	Long Term	37.31 (Reduced from 46.94 crore)	IVR A- /Stable	IVR A- /Stable	IVR A- /Stable	IVR A-; RWDI*	IVR A-; RWDI*	IVR A- /Stable	-
2	Cash Credit	Long Term	250.00	IVR A- /Stable	IVR A- /Stable	IVR A- /Stable	IVR A-; RWDI*	IVR A-; RWDI*	IVR A- /Stable	-
3	Bank Guarantee	Short Term	7.00	IVR A2+	IVR A2+	IVR A2+	IVR A2+; RWDI*	IVR A2+; RWDI*	IVR A2+	-

* *Rating watch with developing implications*

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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 and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	March 16, 2026	6.90 *	IVR A-; Stable
Term Loan	-	-	October 31, 2028	9.34 *	IVR A-; Stable
Term Loan	-	-	September 16, 2027	14.07 *	IVR A-; Stable
Term Loan	-	-	March 31, 2029	7.00	IVR A-; Stable
Cash Credit	-	-	-	250.00	IVR A-; Stable
Bank Guarantee	-	-	-	7.00	IVR A2+

**Outstanding as on June 17,2025*

Annexure 2: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-KMSugar-jul25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

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.