Twentyone Sugars Limited

May 28, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities-Term Loan	955.68	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	-	Rating Assigned	**Simple**
Proposed Long Term Bank Facilities	144.32	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	-	Rating Assigned	**Simple**
Total	**1100.00 (Rupees Eleven Hundred Crores 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

Infomerics Ratings has assigned its rating assigned to the bank facilities of Twentyone Sugars Limited (TSL). The rating derives strength from large scale of operations supported by revenue diversification and strong growth prospects, favourable government policies supporting ethanol demand and power purchase agreement for cogen capacity providing long term revenue visibility, These ratings are constrained due to exposure to agro climatic risk and cyclical trend in sugar business, exposure to risk related to government regulations and moderate capital structure.

The Stable outlook for TSL is supported by improved revenue visibility and profitability prospects, particularly from its ethanol and sugar business segments. Infomerics believes that the planned increase in sugarcane crushing capacity and the establishment of a co-generation plant at Unit III in Nanded will contribute to incremental revenue generation, further strengthening the company's financial profile over the medium term.

Key Rating Sensitivities:

Upward Factors

- Sharp growth in revenue and improved operating profitability, leading to cash accrual sof over Rs 150 crore on a consistent basis.
- Sustained improvement in the financial risk profile, especially capital structure.

Downward Factors

- Lower-than-expected revenue or operating profitability, leading to net cash accruals falling significantly below FY24 levels.
- Higher than anticipated debt funded capex leading to overall gearing sustained above 3.5x in FY26 and beyond
- Substantial stretch in the working capital cycle or weak operating performance further weaking the financial risk profile and liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Large scale of operations, supported by revenue diversification and strong growth prospects: TSL's large scale of operations is diversified across sugar, ethanol and power which positions it favourably for sustainable long-term growth. The company's revenues are expected to grow from ~Rs.772cr (Prov) in FY25 (Period refers to April, 01 2024 to March 31, 2025) to over Rs.1,200cr in FY27, underpinned by increase in cane crushing capacity in Unit III in Nanded (from 3,200 tcd presently to 6,600 tcd by Oct 2026) and also operationalisation of cogen plant from the same date. Additionally, the 200 klpd distillery at Parbhani is expected to be operational from Oct 2025, while the cogen plant at same location would be expanded from 28 MW to 40 MW by Oct 2026. TSL maintains a well-diversified revenue portfolio, with income streams spanning across sugar sales, ethanol production, and power generation. The sugar segment includes the sale of various products such as raw sugar, brown sugar, and white sugar. In the ethanol segment, TSL has secured Letters of Award (LoA) from leading public sector oil marketing companies—HPCL, BPCL, and IOCL—indicating assured revenue in the medium term. The current ethanol order book stands around ₹124 crore. The company has also entered into a Power Purchase Agreement (PPA) with MSEDCL for the Latur and Parbhani co-gen plants upto 2028 and 2026 respectively. This will also providing stable and recurring revenue from the energy segment.

Favourable government policies supporting ethanol demand: The demand for ethanol in India has been steadily increasing, driven by the government's strategic initiatives to enhance ethanol production and its integration into the fuel mix. The Indian government has introduced several essential measures to promote ethanol production, including the Interest Subvention Scheme, which supports sugar companies by offering financial incentives for the installation of distillery plants. Initially, the government aimed to achieve a 1% ethanol blending with petrol by 2022, but this target has been revised to 20% blending by 2025, a significant leap from the original goal of 2030. Ethanol blending in India has already risen from 1.5% in 2013-14 to over 12% in 2023, with expectations for continued growth. To further incentivize this growth, the government has reduced the GST on ethanol for blending from 18% to 5%, making it more affordable for oil companies to adopt ethanol in their fuel blends.

These government policies are designed to reduce India's reliance on imported crude oil, contributing to energy security while also supporting environmental sustainability through the use of cleaner fuels.

Power Purchase Agreement providing long term revenue visibility: TSL has installed a 40 MW bagasse based cogen plant at Latur and a 28 MW bagasse-based co-generation power plant at Parbhani unit. Both plants were established in 2021 and are running steadily. While the company has PPA with Maharashtra State Electricity Distribution Company Limited (MSEDCL) for Rs.4.75/kwh for the Latur power plant (till 2032), it has a PPA with the same counterparty for Rs7.10/kwh for the Parbhani power plant (till 2028).

Experienced Promoters: TSL's promoters are in sugar trading business for more than a decade. Mr. Amit Vilasrao Deshmukh who is a founder and chairman of TSL has vast experience and wide knowledge in the field of sugar industry. The Company is led by a team of well qualified and experienced professionals which has helped the company build established relationship with customers and suppliers. The Company is expected to benefit from the extensive experience of its promoters and management in terms of managing significant revenue growth from incremental capacity additions over the medium term.

Key Rating Weaknesses

Exposure to Agro-climatic risks and cyclical trends in sugar business: Being an Agro-based industry, performance of Twenty-one Sugars 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, to be precise the monsoons influence various operational strictures for a sugar entity, such as the crushing period and sugar recovery levels. In addition, the degree of dispersion of monsoon precipitation across the sugar cane growing areas also leads to fluctuating trends in sugar production in different regions.

Exposure to risks related to Government regulations: The Sugar industry is highly exposed to risks related to Government regulations. Various Government Acts virtually governs 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. Current MSP declared by GOI for sale of sugar is Rs.31 per Kg however it has remained unchanged from 2019. While on the other hand there have been regular revisions in Fair and Remunerative Price (FRP). As of April 30, 2025, the Indian government has approved FRP of ₹355 per quintal for sugarcane for the 2025–26 sugar season (October 2025 to September 2026), increasing from Rs.340 per quintal for the 2024-25 season.

Moderate Capital Structure: The capital structure of the company remained moderate with overall gearing ratio and TOL/ TNW at 2.65x and 3.51x as on March 31, 2023, and substantially increased to 3.62x and 4.63x as on March 31, 2024 due to debt funded capex incurred by the company in FY24 to expand sugar crushing capacity and distillery. However, it is improved as on March 31, 2025 (P) to 3.36x and 3.66x. Long term debt-equity ratio remained moderate to 2.21x as on March 31, 2023, increasing to 2.51x as on March 31, 2024 and 2.21x as on March 31, 2025 (P). Interest coverage ratio reduced slightly over this period from 1.99x in FY23 to 1.80x in FY24 and 1.74x in FY25 (P).

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies
Criteria on assigning rating outlook
Policy on Default Recognition and Post-Default Curing Period
Complexity Level of Rated Instruments/Facilities
Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity –Stretched

Expected cash accrual of Rs 100-170 crore annually over the medium term will be tightly matched against the yearly debt obligation. Further ongoing capex partially constrains the liquidity and financial flexibility. Support from promoter in form of USL has been extended in the past when required and same remains crucial going further.

About the Company

TSL was incorporated on August 26, 2011, and currently has three sugar units in Maharashtra. The first unit is located at Malavati, Latur with installed cane crushing capacity of 8,200 TCD with expandable capacity of 8500 TCD and a 40 MW co-gen plant with 200 KLPD distillery. The second unit at Sonpeth, Parbhani (Maharashtra) has an installed sugar cane crushing capacity of 8500 TCD expandable up to 10,000 TCD and a co-gen plant (40 MW) and 200 KLPD distillery and third plant is located at Loha Nanded with installed sugar cane crushing capacity of 3500 TCD which is increased to 6600 TCD (to be operational from October 2025) and 28 MW of co-gen plant and 300 KLPD distillery which will be started in October 2026 . TSL had acquired the second unit in Parbhani from the National Company Law Tribunal proceedings of Maharashtra Shetkari Sugars Ltd. Operations of the company commenced from fiscal 2021 and SS 2020-21 was the trial season.
The company has also started expansion of project of capacity up to 6600 TCD with 300 KLPD distillery in third unit located at Nanded.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024	31-03-2025
	Audited	Audited	Provisional

Total Operating Income	907.24	398.10	771.85
EBITDA	117.45	147.40	199.86
PAT	12.14	1.24	11.42
Total Debt	1041.86	1613.97	1716.13
Tangible Net Worth	393.77	445.91	511.32
EBITDA Margin (%)	12.95	37.03	25.89
PAT Margin (%)	1.31	0.30	1.45
Overall Gearing Ratio (x)	2.65	3.62	3.36
Interest Coverage (x)	1.99	1.80	1.74

** 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 Security/Facilities	Current Ratings (2025-2026)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in T-1	Date(s) & Rating(s) assigned in T-2	Date(s) & Rating(s) assigned in T-3
					Date (Month XX, 20XX)	**Date** (Month XX, 20XX)	**Date** (Month XX, 20XX)
1.	Term Loans	Long Term	955.68	IVR BB+/Stable	-	-	-
2.	Proposed	Long Term	144.32	IVR BB+/Stable	-	-	-

Analytical Contacts:

Name: Sudarshan Shreenivas

Tel: (022) 62396023

Email: Sudarshan.shreenivas@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Ltd [Formerly Infomerics Valuation and Rating Private Ltd] (Infomerics) 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/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	FY 2032	955.68	IVR BB+/Stable
Proposed	-	-	-	-	144.32	IVR BB+/Stable

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-TSL-28may25.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.