**Dhampur Bio Organics Ltd.**

**Date:** April 10, 2025

**To,**

**The Manager – Listing**
**Dept of Corp. Services,**
**BSE Limited**
**P.J. Towers, Dalal Street, Fort,**
**Mumbai – 400 001**
**Scrip Code: 543593**

**The Manager – Listing**
**National Stock Exchange of India Ltd.**
**Exchange plaza, Bandra Kurla Complex**
**Bandra East**
**Mumbai – 400 051**
**Symbol: DBOL**

Dear Sir/Mam,

**<u>Sub: Intimation of revision in Credit Rating(s)</u>**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that CARE Ratings Limited (CARE Ratings) has revised the credit rating(s) of the following instrument(s) of the Company:

| Facilities | Amount (Rs. in Crore) | Rating | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 1,019.45 | CARE A- ;Stable | Revised from CARE A; Stable |
| Short Term Bank Facilities | 115.00 | CARE A2+ | Revised from CARE A1 |
| Commercial paper (carved out) | 100.00 | CARE A2+ | Revised from CARE A1 |

The revised rating letter is enclosed for your reference.
You are requested to take the same on record.

Thanking You
Yours sincerely,
**For Dhampur Bio Organics Limited**

Ashu Rawat
Digitally signed by Ashu Rawat
Date: 2025.04.10 13:21:15 +05'30'

**Ashu Rawat**
**Company Secretary & Compliance Officer**

# Dhampur Bio Organics Limited

April 09, 2025

| Facilities/Instruments | Amount (₹crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term bank facilities | 1,019.45 | CARE A-; Stable | Downgraded from CARE A; Stable |
| Short-term bank facilities | 115.00 | CARE A2+ | Downgraded from CARE A1 |
| Commercial paper (Carved out) | 100.00 | CARE A2+ | Downgraded from CARE A1 |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has downgraded ratings assigned to bank facilities and commercial paper instrument of Dhampur Bio Organics Limited (DBOL) from 'CARE A/CARE A1' to 'CARE A-/CARE A2+' with continuation of stable outlook. Revision in ratings reflects the moderation in business risk profile factored through lower-than-envisaged profits and cash accruals reported in 9MFY25 (refers to period April 01 to December 31) primarily due to reduced recovery rates, red rot infestation in central and western Uttar Pradesh (UP) regions and lower cane availability. CARE Ratings expects DBOL's profitability to remain subdued over near term in line with low cane production in sugar season 2024-25, impacting overall performance of the company. However, the company is adopting newer cane varieties to reduce infestation exposure and improve yield, which will be further supported by higher ethanol production over medium term. Improvement in the operational performance gradually with removal of restriction on diversion into ethanol and exports and improvement in yield due to newer cane variety shall remain a key monitorable going forward.

Ratings continue to derive strength from DBOL's experienced promoters with long track record in the sugar industry, forward integrated nature of operations with presence into distillery and cogeneration, power divisions mitigating the industry cyclicality to an extent.

However, these rating strengths continue to remain further constrained by the industry's cyclical and regulated nature, demand-supply dynamics, exposure towards the agro-climatic conditions, and the working capital-intensive nature of the operations.

## Rating sensitivities: Factors likely to lead to rating actions

### Positive factors

- The company's ability to report healthy growth in total operating income (TOI) with profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 10% backed by healthy recovery rates on a sustained basis.
- Improving total outside liabilities to tangible net worth (TOL/TNW) below 1x on a sustained basis.

### Negative factors

- Increasing overall gearing above 1.2x on a sustained basis.
- Declining revenue from the existing level and profitability margins as marked by PBILDT margin below 6%.
- Adversely changing government policies affecting the operations and cash flow of the entity.

**Analytical approach:** Standalone

**Outlook:** Stable

Stable outlook reflects CARE Ratings' expectation that DBOL's operational metrics in near to medium term in line will be sustained with more diversion towards ethanol along with anticipated rise in sugar and ethanol prices thereby incrementally supporting the cash flows of the company

## Detailed description of key rating drivers:

### Key strengths

**Experienced promoters with long track record of operations in sugar industry**

DBOL is headed by Vijay Kumar Goel as the company's Chairman and Gautam Goel as the Managing Director. VK Goel has served as a promoter director on the board since 1960. He has also been the President of Indian Sugar Mills Association and the Indian Sugar Export Corporation, and with over 65 years of experience in the sugar industry, he has spearheaded several technological innovations in the industry.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Gautam Goel has been on the Board since 1994. He is currently serving his second stint as an office bearer in Indian Sugar and Bio-energy Manufacturers Association (ISMA) as Vice President, and has served as the President of ISMA, and the Chairman of Indian Sugar Exim Corporation in 2012. He has focused on value-addition, which included pioneering the production of sulphur-less refined sugar in India

**Forward integrated operations resulting in diversified revenue streams**
DBOL's sugar division is fully integrated with forward integration into cogeneration unit of 95.50 megawatts (MW) and a molasses-based distillery of 312.5 KLPD, which post the part-conversion (of 100 KLPD), will become a dual feed molasses and grain-based distillery. DBOL's forward integrated operations de-risk it by providing alternate revenue streams and acts as a cushion against the inherent cyclicality in core sugar business to a large extent. The company operates three plants in Asmoli, Mansurpur, and Meerganj (part of western-central Uttar Pradesh) and commissioned additional units in November 2023, augmenting its capacity in Asmoli from 9000 TCD to 12500 TCD and in Meerganj from 5000 TCD to 9000 TCD, increasing overall aggregate capacity from 22,000 TCD to crush 29,500 TCD as on March 31, 2024.
In FY24, the sugar segment accounted for ~59% of the gross operating revenue (PY: 73%), which increased to over 78% in 9MFY25 majorly considering weakening of revenue contribution from the distillery segment as seen across the industry. CARE Ratings anticipates the contribution from the distillery segment to increase in the medium term, following lifting of restrictions on ethanol production from syrup and B-heavy in August'24, which shall also remain a key monitorable from credit perspective.

## Key weaknesses

## Moderation in financial risk profile

The company's capital structure remained leveraged in FY24 with high dependence on working capital borrowings due to high inventory on the books, consequent elongation in the operating cycle and the seasonal working capital requirements of the sugar industry. The TNW stood at ₹1,021 crore, whereas the total debt position was at ₹1,057 crore, out of which, the term debt reduced Y-o-Y and stood at ₹241 crore as on March 31, 2024, attributable to the company's scheduled debt repayments. However, the overall gearing moderated and remained comfortable to 1.04x as on March 31, 2024, against 0.81x in the previous year, majorly considering substantial increase in the working capital debt. Due to the moderation in the operating profitability, the PBILDT interest coverage and other coverage indicators deteriorated to 2.76x as on March 31, 2024, as against 4.99x as on March 31, 2023.
However, the company's profitability has moderate significantly from ~₹75 crore in 9MFY24 to ~₹44 crore in 9MFY25, which has led to further decline in the interest coverage ratio to 0.94x in 9MFY25 against 2.69x in 9MFY24. Going forward at the end of FY25 decline in the financial risk profile is also expected owing to fresh term loan borrowings in the year and increase in utilisation of working capital limits due to lower cash accruals anticipated during the year owing to lower profitability levels. Profitability shall gradually recover with the steps management is taking along with new cane variety. However, in the medium term lower, cash accruals will have an impact on its leverage profile, and they are expected to remain at moderate levels even in near to medium term going forward.

**Moderation in operational performance weighing pressure on margins in FY24 and 9MFY25**
In 9MFY25, the company's TOI was slightly up by 2% y-o-y from ₹1387 crore in 9MFY25 to ₹1421 crore. However, there was a significant dip in the profitability levels as the margins declined from 5.37% in FY24 to 3.1% in 9MFY25, the decline is largely attributable to the lower cane availability considering lower crushing due to pest infestation in Central and Western UP. Gross recovery declined from 10.99% in 9MFY24 to 10.42% in 9MFY25. Net recovery was at 9.41% in 9MFY25 against 9.54% in 9MFY4. Sugar stock as on December 31, 2024, rose to ~1.11 lakh tonnes valued at ₹419 crore against 1.06 lakh tonnes valued at ₹365 crore as on December 31, 2023. The total sales from the sugar segment and distillery segment stood at ₹1121 crore and ₹200 crore respectively in 9MFY25 against ₹855.10 crore and ₹390 crore respectively in 9MFY24.

In FY24, DBOL registered a decline in the TOI by ~24% from ₹2,401.69 crore in FY23 to ₹1,814.65 crore due to low sales quota allocation driven by the government, ban on sugar export for sugar season 2023-24, and the government's restriction on diversion of sugar syrup and B-Heavy towards ethanol. Subsequently, the total sugar sales volume witnessed a degrowth of 33% in FY24 at 30.4 lakh quintals against 45.3 lakh quintals in FY23, whilst support derived from rising sugar realisation, which stood at ₹3,835 per quintal in FY24 increased from ₹3,668 per quintal in FY23. Sugar exports were also banned, and exports went down to 0.68 lakh quintals in FY24 from 6.98 lakh quintals in previous year. The ethanol segment was also hit as sales were primarily made in Q1 due to no diversion of sugarcane towards ethanol and sales volume stood at 82.68 million BL, with 74.3 million BL from B-Heavy and only 5.22 million BL from syrup in FY24 against 98.06 million BL in FY23, with 51.31 million BL from B-Heavy and 46.7 million BL from syrup, resulting in 88.52 million BL ethanol sales in FY23. Gross recovery rate in FY24 stood at 11.34% y-o-y against 11.01% in FY23, while net recovery also stood at 10.3% in FY24 from 9.42% in FY23. The recovery rates were low in FY23 compared to previous years due to the severe pest infestation in Asmoli and Mansurpur units.

Going forward, CARE Ratings expects that profitability shall remain subdued over near term primarily due to reduced recovery rates, red rot infestation in central and western Uttar Pradesh (UP) regions and lower cane availability. Performance is expected to improve gradually based on improvement in yield from introduction of new cane variety by the company, which would remain a key monitorable going forward.

**Vulnerable to agro-climatic risks, cyclical and regulated nature of sugar business**
The industry is cyclical by nature and vulnerable to the government policies for various reasons like its importance in the wholesale price index (WPI) as it classifies as an essential commodity. The government on its part resorts to various regulations like fixing the raw material prices in the form of State Advised Prices (SAP) and Fair & Remunerative Prices (FRP). All these factors impact the cultivation patterns of sugarcane in the country and thus affecting the profitability of the sugar companies. DBOL's profitability, and other Uttar Pradesh / Uttarakhand-based sugar mills, continues to remain vulnerable to the state government's policy on cane prices. Thus, the performance of entities operating in particular region can be impacted by any disproportionate increase in cane price. Profitability remains vulnerable to the Government's policies on exports, MSP and remunerative ethanol prices. In addition, the cyclicality in sugar production results in volatility in sugar prices. However, the sharp contraction in sugar prices is curtailed after introduction of MSP by the Central Government in June 2018. Healthy exports and higher diversion of sucrose towards ethanol in the recent years resulted in favourable demand-supply dynamics in the country, resulting in improved realisations currently. In the long term, higher ethanol production with increased diversion towards B-heavy molasses and direct sugar juice by the industry is expected to help in curtailing the excess supply of sugar, resulting in lower volatility in sugar prices and cash flows from the sugar business.

**Working capital intensive operations**
The sugar industry being seasonal in nature has high working capital requirements in the peak season, which is from November to April. The 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 remained moderate and elongated to 192 days as on March 31, 2024 from 148 days as on March 31, 2023, owing to elevated sugar inventory level of 208 days against 160 days) in the previous year as closing sugar inventory increased from 14.7 lakh quintal as on March 31, 2023 to 26.9 lakh quintals as on March 31, 2024, mainly due to sugar sales quota and low sugar diversion towards ethanol due to restriction imposed by government on diversion of sugar syrup and B-heavy towards ethanol. For 12-months ending in December 2024, average utilisation of working capital limits was ~78% with average maximum utilisation in the period being ~ 94%.

**Profitability of Uttar Pradesh-based sugar mills continues to depend on state government policy on cane prices**
DBOL's profitability, and other UP-based sugar mills, continues to be vulnerable to the Government of Uttar Pradesh (GoUP's) policy on cane prices. The company's performance can be impacted by a disproportionate increase in the cane prices, which are determined by the GoUP at the start of the crushing season. Profitability of all sugar mills and DBOL remains vulnerable to the government's policies on exports, MSP, and remunerative ethanol prices. However, the recent measures taken by the Central Government and the GoUP support sugar prices and liquidity of sugar mills. The continuation of government support measures such as remunerative ethanol prices and interest subvention for the debt-funded distillery capex is likely to keep sugar inventories under check and prevent the piling up of cane arrears.

**Liquidity**: Adequate
The liquidity remains adequate, marked by gross cash accruals of ~₹99 crore in FY26 against debt repayment of ₹67.75 crore in FY26. The company's working capital requirements is met by sanctioned limit of ₹1,100 crore with an average utilisation for 12 months ended December 31, 2024, of 78% owing to higher utilisation of limits in the crushing season. CARE Ratings expects liquidity shall be further supported through bank lines available with DBOL and through gradual liquidation of sugar inventory which stood at ₹419 crore (1.11 lakh tonnes valued at average rate of ₹37,648/ton) as on December 31, 2024. CARE Ratings also notes that the inventory days remain relatively high in the sugar sector compared to other industries as manufacturing of sugar takes place in November to April, while sales take place uniformly in throughout the year and also due to imposition of sales quota on sugar companies, which led to high inventory days.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

## 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
Short Term Instruments

## About the company and industry

### Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Fast Moving Consumer Goods | Fast Moving Consumer Goods | Agricultural Food & other Products | Sugar |

DBOL was demerged from Dhampur Sugar Mills Limited (DSML) vide a Scheme of Arrangement approved by the Board of DSML on June 7, 2021. This Scheme of Arrangement was ratified by the NCLT vide its order dated April 27, 2022. The said order became effective from May 03, 2022. The undivided company (DSML) was incorporated in 1933, when it established a 300 TPD sugar mill in Dhampur. In March 2021, the company's promoters, Gaurav Goel and Gautam Goel, jointly have decided to segregate the management and ownership of different manufacturing facilities/units for cane crushing, co-generation of power and chemicals, equally between the two promoter family groups. DSML had plants at five locations, Dhampur, Asmoli, Mansurpur, Rajpura, and Meerganj. Now, with the scheme of arrangement, DSML will have Dhampur and Rajpura plants, while DBOL will have Asmoli, Mansurpur, and Meerganj plants. DBOL has three plants in western-central UP, India, which have a combined capacity to crush 26,000 MT of cane per day and produce 2000 MT of refined sugar and 800 MT of raw sugar per day.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | 9MFY25 (UA) |
|---|---|---|---|
| Total operating income | 2,401.69 | 1,814.65 | 1421.6 |
| PBILDT | 203.31 | 124.89 | 44.1 |
| PAT | 112.02 | 48.82 | -27.56 |
| Overall gearing (times) | 0.81 | 1.04 | NA |
| Interest coverage (times) | 4.99 | 2.76 | 0.94 |

A: Audited UA: Unaudited NA: Not Available; 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 (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹crore) | Rating Assigned and Rating Outlook |
|---|---|---|---|---|---|---|
| Commercial Paper-Commercial Paper* (Carved out) | | - | - | - | 100.00 | CARE A2+ |
| Fund-based - LT-Cash Credit | | - | - | - | 642.50 | CARE A-; Stable |
| Fund-based - LT-Term Loan | | - | - | 31-03-2025 | 276.95 | CARE A-; Stable |
| Fund-based - LT-Working Capital Demand loan | | - | - | - | 100.00 | CARE A-; Stable |
| Non-fund-based - ST-BG/LC | | - | - | - | 115.00 | CARE A2+ |

*Proposed

**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 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1 | Fund-based - LT-Term Loan | LT | 276.95 | CARE A-; Stable | 1)CARE A; Stable (13-Nov-24)<br><br>2)CARE A; Stable (02-Jul-24) | 1)CARE A+; Stable (13-Sep-23) | 1)CARE A+; Stable (26-Jul-22) | - |
| 2 | Fund-based - LT-Working Capital Demand loan | LT | 100.00 | CARE A-; Stable | 1)CARE A; Stable (13-Nov-24)<br><br>2)CARE A; Stable (02-Jul-24) | 1)CARE A+; Stable (13-Sep-23) | 1)CARE A+; Stable (26-Jul-22) | - |
| 3 | Fund-based - LT-Cash Credit | LT | 642.50 | CARE A-; Stable | 1)CARE A; Stable (13-Nov-24)<br><br>2)CARE A; Stable (02-Jul-24) | 1)CARE A+; Stable (13-Sep-23) | 1)CARE A+; Stable (26-Jul-22) | - |
| 4 | Non-fund-based - ST-BG/LC | ST | 115.00 | CARE A2+ | 1)CARE A1 (13-Nov-24)<br><br>2)CARE A1 (02-Jul-24) | - | - | - |
| 5 | Commercial Paper-Commercial Paper (Carved out) | ST | 100.00 | CARE A2+ | 1)CARE A1 (13-Nov-24) | - | - | - |

LT: Long term; ST: Short 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 | Commercial Paper-Commercial Paper (Carved out) | Simple |
| 2 | Fund-based - LT-Cash Credit | Simple |
| 3 | Fund-based - LT-Term Loan | Simple |
| 4 | Fund-based - LT-Working Capital Demand loan | Simple |
| 5 | Non-fund-based - ST-BG/LC | 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**

| **Media Contact** | **Analytical Contacts** |
|---|---|
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**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 RBI. 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.



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