India Ratings & Research
A Fitch Group Company

India Ratings Downgrades Shree Renuka Sugars' NCDs and Bank Loan Facilities to 'IND A-'/Negative

Aug 24, 2026 | Shree Renuka Sugars Limited | Sugar

India Ratings and Research (Ind-Ra) has downgraded the rating on Shree Renuka Sugars Limited's (SRSL) non-convertible debentures (NCDs) and long-term bank loan facilities to 'IND A-' from 'IND A' with a Negative Outlook, and that on its short-term bank loan facilities to 'IND A2+' from 'IND A1', as follows:

Details of Instruments

Instrument Type	Regulator of Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (INR million)	Rating Assigned with Outlook/Watch	Rating Action
Non-convertible debentures*	Refer ISIN annexure	-	-	-	4,532 (reduced from 4,558)	IND A-/Negative	Downgraded
Bank loan facilities#	RBI	-	-	-	27,596	IND A-/Negative/IND A2+	Downgraded

The rated amount has increased to INR27,596 million from INR26,496 million due to rupee depreciation (INR equivalent of the USD50 million funding from Standard Chartered Bank based on an exchange rate of INR95/USD).

Analytical Approach

Ind-Ra continues to factor in SRSL's strong operational, strategic and legal linkages with its ultimate parent, Wilmar International Limited (Wilmar), and the continued strong support it receives from the latter, to arrive at the ratings. Furthermore, Ind-Ra continues to take consolidated view of SRSL and its subsidiaries to arrive at the ratings, owing to the operating and strategic linkages between them.

Detailed Rationale of the Rating Action

The downgrade and the Negative Outlook reflect SRSL's weaker-than-expected performance in FY26 and the likelihood of it continuing in FY27. After EBITDA losses in 1HFY26, SRSL's EBITDA recovered to INR2.7 billion in 3QFY26, backed by an improvement in refining spreads. However, against Ind-Ra's expectation of a sustained improvement, SRSL's EBITDA fell to around INR1 billion in 4QFY26, resulting in a sharp yoy fall in FY26 to INR1.3 billion (FY25: INR6.4 billion; FY24: INR7 billion). Also, SRSL reported an EBITDA loss in 1QFY27. The losses during 4QFY26-1QFY27 are attributed to higher input costs (energy and logistics), moderate impact of supply chain disruptions on volumes, mark-to-market losses on commodity hedges in the refining business, and seasonality in the domestic business. Refining spreads improved during June-July 2026, which is likely to help recoup a large part of the mark-to-market losses booked in 1QFY27. However, Ind-Ra believes that the elevated cost levels will keep SRSL's EBITDA for FY27 below its earlier expectations.

SRSL's domestic business is likely to be supported by rising sugar prices (August first week: INR47/kg, April: INR41/kg), given India's sugar stock at end-sugar season 2026 (October-September) is likely to fall to the lowest level in almost a decade. Strong sugar prices are likely to mitigate the impact of higher sugarcane costs and unchanged ethanol prices on SRSL's domestic business EBITDA. While SRSL's distillery business's EBITDA increased in FY26, policy measures with respect to sugar diversion towards ethanol in the 2026-27 season (given the low sugar inventory) will be a key monitorable.

SRSL's net external debt rose to INR56.9 billion at FYE26 (FYE25: INR45.2 billion) as cash flows reduced, due to a combination of the fall in EBITDA and an increase in the net working capital, as the company reduced its reliance on Wilmar payables to fund inventory. While the decline in the ratio of inventory funding through payables has been sharper than Ind-Ra's expectations, the agency understands from the management that Wilmar will continue to provide support to SRSL as and when needed. Furthermore, while the creditors are interest-bearing, the management has stated that continued flexibility is available to SRSL to service Wilmar's interest obligations as needed.

Ind-Ra believes SRSL's ability to improve its EBITDA levels over FY27-FY28 while gradually reducing its external debt would be critical to improve the credit metrics, and progress on the same is a key rating monitorable.

Despite the weakening of credit metrics, SRSL's liquidity position is likely to remain adequate over the near term., supported by Wilmar. Wilmar has sufficient unused working capital lines (largely carved out of the respective lender's global exposure to Wilmar). Moreover, Wilmar has stated its commitment to provide timely support to SRSL as and when required, which is a critical component of the overall liquidity assessment. The ratings continue to reflect SRSL's strong linkages with Wilmar and the latter's comfortable business profile, supported by its large scale and integrated facilities.

List of Key Rating Drivers

Strengths

- Strong linkages with parent with continued tangible support
- Leading sugar producer with strong presence in branded sugar
- Firm sugar Prices to aid EBITDA recovery
- Higher ethanol allocation to drive segment's revenue in 1HFY27, ESY27 performance contingent on government's policy

Weaknesses

- Weaker-than-expected EBITDA owing to weak refinery performance
- Elevated debt to keep credit metrics weak; improvement contingent on EBITDA growth
- Susceptibility to currency fluctuations; high working capital intensity

Detailed Description of Key Rating Drivers

Strong Linkages with Parent with Continued Tangible Support: SRSL is a step-down subsidiary of Wilmar (through Wilmar Sugar and Energy Pte. Ltd). With a 62.5% shareholding, Wilmar has full management control over SRSL, with the latter's board including Wilmar's chairman, group chief financial officer, and its group sugar head. The operational ties between the entities are driven by the fact that SRSL accounts for around 20% of Wilmar's total sugar capacity, is the second-largest sugar entity in the group, and a key player in the group's overall refined sugar exports business. SRSL procures a major portion of its raw sugar requirement for the refining business from Wilmar at competitive prices and credit terms.

The strategic linkages between the entities are also strengthened by Wilmar remaining focused on the sugar sector, with a view to widen its consumer product portfolio and increase its wallet share in populated markets such as India. Notwithstanding a payables-led reduction, Wilmar's investment in SRSL (including its subsidiaries) remained sizeable at around INR54 billion at end-March 2026 (end-March 2025: INR69 billion) indicating the latter's strategic importance and Wilmar's strong willingness to support.

Also, Wilmar has extended corporate guarantees that cover around 65% of SRSL's consolidated external outstanding debt of INR57.4 billion at FYE26 (FYE25: 94% and INR45.8 billion), supporting the legal linkages. While the guarantees on working capital borrowings are in the process of being replaced by comfort letters from Wilmar, most of the limits have been carved out of the respective lender's global exposure on Wilmar. With new working capital lines also likely to follow the latter pattern, over 95% of the exposure will be covered by a guarantee/comfort letter. Wilmar has articulated its continued commitment to support SRSL.

Wilmar is one of the leading branded consumer pack oil, specialty fat, and oleochemical producers and edible oil refiners in the world, with over 1,000 manufacturing plants and an extensive distribution network covering over 50 countries.

Wilmar's revenue increased to USD70.4 billion in 2025 (January-December; 2024: USD67.4 billion), with range-bound operating margins of 6.1% (5.8%) and net debt of USD19.9 billion (USD18.6 billion). The proforma net leverage (net debt/EBITDA) remained flat at 4.7x in 2025 (2024: 4.8x).

Leading Sugar Producer with Strong Presence in Branded Sugar: SRSL has the fourth-largest sugar manufacturing unit in India, with a consolidated capacity of 48,000 tonnes crushed per day (TCD) as of March 2026. Also, it is a leading supplier of ethanol to OMCs, with cane-based capacity of 1,250klpd. SRSL has an operating track record of over two decades in the sugar business, and is geographically diversified, with a major presence in Karnataka, Maharashtra, and Uttar Pradesh. Besides, the company is the leading sugar refiner in India, with an installed capacity of 5,500tpd. SRSL's Madhur is one of the leading sugar brands in the country, with a share of around one-third of the branded sugar market, according to the management. Branded sale volumes, which yield higher margins, have grown significantly over the past couple of years, forming 33% of the total sales in FY26 (FY25: 32%, FY24: 41%).

Firm Sugar Prices to Aid EBITDA Recovery: The milling segment's performance is likely to be supported by the rising sugar prices, given that India's sugar stock at end-sugar season 2026 (October-September) is likely to drop to decadal lows. Domestic sugar prices increased 4% yoy in FY26, and Ind-Ra expects low stock levels to push up the prices further in the near term. With the net production and domestic consumption of around 28mnt, Ind-Ra expects India's closing sugar stock for SS26 to fall below the normative requirement of around 5.5mnt, given the likely exports of around 0.5mnt.

Sugarcane is one of the few kharif crops to witness a flattish acreage in the 2026-27 season, but the yields will also be a function of the extent and spread of monsoon deficit. However, with low opening stocks and a stable consumption, Ind-Ra believes domestic sugar prices will remain strong in the near term. The agency believes that the strong sugar prices will help mitigate the impact of an increase in the sugarcane costs on SRSL's domestic business EBITDA.

Higher Ethanol Allocation to Drive Segment's Revenue in 1HFY27; ESY27 Performance Contingent on Government's Policy: SRSL has received 11% yoy higher allocation by OMCs to supply 175mnL of ethanol (only juice-based) in the ethanol supply year November 2026-October (ESY26; ESY25: 158mnL), which is likely to support the segment's revenue and EBITDA in 1HFY27. After witnessing a fall in FY25, the distillery segment's EBITDA recovered marginally to INR1 billion in FY26 (FY25: INR0.9 billion, FY24: INR1.4 billion). With 2x increase in revenue, the segment's EBIT jumped to INR0.8 billion in 1QFY27 (1QFY26: negative INR0.1 billion) and is likely to remain healthy in 1HFY27.

SRSL is one of the few companies in India that has a cane juice storage facility, which gives it an edge over others during the non-crushing season. However, as it does not have a grain-based distillery, it is susceptible to the movement in sugar production and linked government policies. SRSL's ethanol volumes dropped to 136mnL in FY24 (FY23: 190mnL), when the government restricted sugar diversion due to lower sugar production in the country. Furthermore, an increase in cane prices without a commensurate increase in ethanol prices could affect SRSL's profitability. Policy actions and their impact on the company will remain rating monitorables.

Weaker-than-expected EBITDA owing to Weak Refinery Performance: After EBITDA losses in 1HFY26, SRSL's EBITDA recovered to INR2.7 billion in 3QFY26 due to an improvement in refining spreads. However, against Ind-Ra's expectation of a sustained improvement, SRSL's EBITDA fell to around INR1 billion in 4QFY26. As refinery profits halved, the EBITDA declined to INR1.3 billion in FY26 (FY25: INR6.4 billion, FY24: INR7 billion). Furthermore, the company recorded a forex loss of INR2.1 billion in FY26 (FY25: INR0.4 billion), almost half of which was reported in 4QFY26, because of the sharp depreciation in the Indian rupee and SRSL's large foreign currency exposure by way of operations as well as borrowings. Considering the currency hedges, the net realised forex loss was around INR0.7 billion in FY26. The company witnessed a forex loss of INR0.3 billion in 1QFY27. SRSL's EBITDA remained negative at INR0.7 billion in 1QFY27 (1QFY26: negative INR0.8 billion, 1QFY25: positive INR0.9 billion) as losses in the refinery segment widened. Ind-Ra believes that the elevated cost levels will keep SRSL's EBITDA for FY27 below its earlier expectations.

From an average of around USD100/mt over January-May 2026, refining spreads climbed to USD120-125/mt in June-July 2026. Ind-Ra believes that the likelihood of a decline in global sugar production due to El-Nino conditions, would keep prices firm in the near term. Indications of a decline in Thailand's sugar product in 2026-27 could aid white sugar prices. Raw sugar prices too are likely to be supported by increased diversion of sugarcane towards ethanol by Brazil, with the temporary increase in its ethanol blending rate to 32%, given the elevated crude oil prices.

Elevated Debt to Keep Credit Metrics Weak; Improvement Contingent on EBITDA Growth: The fall in EBITDA and increase in net working capital due to reduced reliance on Wilmar payables to fund inventory increased the external net debt to INR56.9 billion at FYE26 (FYE25: INR45.2 billion). While the gross working capital reduced by INR10.4 billion at FYE26, payables to Wilmar fell by INR15.7 billion.

The higher debt and the fall in EBITDA led to a sharp deterioration in the interest coverage on external debt (EBITDA/interest on external debt) to 0.3x in FY26 (FY25: 1.8x). Ind-Ra opines SRSL's ability to improve its EBITDA levels over FY27-FY28 while gradually reducing external debt would be critical to improve the interest coverage. The external net leverage (net debt excluding debt from parent/ operating EBITDA) shot up to 45x in FY26 (FY25: 7x). While the external net debt is likely to remain elevated due to legacy pre-restructuring losses, Ind-Ra believes the credit metrics may witness an improvement over FY27-FY28 on the back of some recovery in EBITDA. The pace and progress of the improvement in credit metrics will be a key rating monitorable; continued weaker-than-expected performance could be negative for the ratings.

Of SRSL's total outstanding debt of INR71.5 billion at FYE26 (FYE25: INR58.6 billion, FYE24: INR57.7 billion), 80% (78%; 35%) was external debt. Ind-Ra continues to adjust the credit metrics for the parent debt/advances, given the flexibility on servicing the same. The overall interest coverage stood at 0.2x in FY26 (FY25: 0.8x, FY24: 0.8x).

Susceptibility to Currency Fluctuations; High Working Capital Intensity: While SRSL has a natural hedge for its refining business, there is a significant timing mismatch. This is because raw sugar procurement largely takes place through Wilmar with extended credit periods, while the receivables period does not exceed one-to-one-and-a-half months. SRSL's forex loss widened to INR2 billion in FY26 (FY25: loss of INR0.4 billion, FY24: loss of INR0.3 billion) owing to sharp depreciation in the Indian rupee. The company's forex policy is aligned with that of the parent.

Sugar, being an agro-based industry, is prone to the vagaries of monsoons. Also, as sugar is an essential commodity, it faces a high level of government intervention. The sugar business is inherently working capital-intensive, given the seasonality in the industry and higher levels of inventory holding, which peaks during March-April. SRSL's gross working capital requirements amounted to INR29 billion at FYE26 (FYE25: INR39 billion).

Liquidity

Adequate: SRSL's high financial flexibility is driven by the presence of a strong parent that has constantly infused funds to support the former's liquidity. While the total cash and cash equivalents was moderate at INR0.5 billion at end-March 2026 (FYE25: INR0.6 billion), it had some cushion in its bank lines, indicating the availability of liquidity. SRSL's average utilisation of its INR7.8 billion fund-based working capital limits was about 70% in the 12 months ended May 2026. SRSL's cash flow from operations (post interest) turned negative at INR7.5 billion in FY26 (FY25: INR2.5 billion) because of the deterioration in the EBITDA and increase in working capital. The company has scheduled repayments of INR1 billion in FY27 and INR0.6 billion in FY28. While its DSCR is likely to be less than 1x in the near term, Ind-Ra believes the company will be able to service its debt obligations, backed by Wilmar's support and its own financial flexibility.

Rating Sensitivities

Positive: A significant and sustained increase in EBITDA and/or a reduction in external debt, leading to an improvement in the credit metrics, with the interest coverage (on external debt) exceeding 1.5x, along with maintaining an adequate liquidity buffer, all on sustained basis, while maintaining strong linkages with the parent could lead to a revision in Outlook to Stable.

Negative: The following developments could, individually or collectively, lead to a negative rating action:

- weakening of linkages and/or support from Wilmar
- weakening of liquidity buffers
- lack of a significant increase in EBITDA and/or an increase in external debt, leading to the interest coverage (on external debt) sustaining below 1.5x.

Disclosures for CE Rating

1) Unsupported Rating

Ind-Ra has downgraded the unsupported rating to 'IND A-'/Negative from 'IND A'/Negative.

The unsupported rating is arrived at without factoring in the explicit credit enhancement (CE). It helps in understanding the extent of CE factored into the instrument rating.

The analytical approach, detailed rationale, key rating drivers, liquidity, and rating sensitivities for the unsupported rating are the same as that for the bank facility ratings.

While Wilmar has extended corporate guarantees for a large part of SRSL's debt, the linkages are strong even otherwise, driven by the operational and strategic ties.

2) Covenants on NCDs

Following are the covenants for NCDs INE087H08019:

For Wilmar International Limited:

1. Shareholder's fund will not at any time be less than USD8 billion
2. The ratio of consolidated net borrowings to the total capitalisation shall at all times be less than 0.75x

Calculations shall be done and interpreted on a consolidated basis.

Following are the financial covenants for other NCDs (INE087H07094, INE087H07128, INE087H07110, INE087H07102):

For SRSL:

1. Minimum fixed asset cover ratio of 1.25 times during the entire terms of NCDs.

3) Adequacy of CE structure

Wilmar has provided a corporate guarantee for SRSL's NCDs. Since the guarantee does not meet Ind-Ra's requirement of the presence of a pre-default clause for guarantee invocation and a well-defined payment mechanism, it has not been factored as an explicit CE and hence the CE suffix has not been added to the rating of NCDs.

Any Other Information

Standalone Profile: During FY26, SRSL posted revenue of INR85.2 billion (FY25: INR102.8 billion), an EBITDA loss of INR0.04 billion (INR5.4 billion) and external interest coverage of 0x (1.8x).

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on SRSL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

SRSL is one of the leading sugar manufacturers in India, with a track record of over 25 years and sugar refining capacity of 5,500TPD. Its operations are integrated with a cane crushing capacity of 37,500 tonnes per day (consolidated capacity at 46,000 tonnes per day), molasses-based distillery capacity of 1,250KLPD, and power generation capacity of 260MW (consolidated 280MW).

Key Financial Indicators

Particulars (INR billion) - Consolidated	FY26	FY25
Revenue	91.7	109.1
EBITDA (pre-forex loss/gain)	2.6	6.8
EBITDA	1.3	6.4
EBITDA (%)	1.4	5.9

Particulars (INR billion) - Consolidated	FY26	FY25
Interest coverage on external debt (x)	0.3	1.8
Net leverage on external debt (x)	44.4	7
Source: SRSL, Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook				
	Rating Type	Rated Limits (INR million)	Current Rating	26 March 2026	27 March 2025	28 March 2024	22 September 2023	17 August 2023
Non-convertible debentures	Long-term	4,532	IND A-/Negative	IND A/Negative	IND A/Negative	IND A/Stable	-	IND A/Stable
Bank loan facilities	Long-term/Short-term	27,596	IND A-/Negative/IND A2+	IND A/Negative / IND A1	IND A/Negative / IND A1	IND A/Stable/ IND A1	-	IND A/Stable/ IND A1
Unsupported rating	Long-term	-	IND A-/Negative	IND A/Negative	IND A/Negative	IND A/Stable	-	
Issuer Rating	Long-term	-	-	-	-	-	WD	IND A/Stable

Disclosure on instruments / activities and names of regulators:

A list of products/activities or ratings of instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by Ind-Ra on its website. A link to the same has been provided below for ready reference:

Rating Activities

Note: Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low
Non-convertible debentures	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

Annexure

Instrument Type	ISIN	Regulator of Instruments	Date of Issuance	Coupon Rate (%)	Maturity Date	Rating/Outlook	Outstanding/Rated Amount (million)
Non-convertible debentures	INE087H07094	MCA	3 April 2012	11.70	31 March 2028	IND A-/Negative	259
Non-convertible debentures	INE087H07102	SEBI	3 April 2012	11.00	31 March 2032	IND A-/Negative	750
Non-convertible debentures	INE087H07110	SEBI	24 December 2012	11.00	31 March 2032	IND A-/Negative	500
Non-convertible debentures	INE087H07128	MCA	24 December 2012	11.30	31 March 2028	IND A-/Negative	173
Non-convertible debentures	INE087H08019	SEBI	4 January 2024	9.45	4 January 2029	IND A-/Negative	2850
Total*							4,532
Source: SRSL, NSDL *Outstanding as of 31 March 2026							

Contact

Primary Analyst
Shubham Kumar
Senior Analyst
India Ratings and Research Pvt Ltd
DLF Epitome, Level 16, Building No. 5, Tower B DLF Cyber City, Gurugram Haryana - 122002
+91 124 6687248
For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst
Pradeep Singh
Analyst
+91 22 40356150

Media Relation
Ameya Bodkhe
Marketing Manager
+91 22 40356121

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Gurugram, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India and the Reserve Bank of India.

Ind-Ra is a 100% owned subsidiary of the Fitch Group.

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

APPLICABLE CRITERIA AND POLICIES

Corporate Rating Methodology

Policy for Credit Enhanced (CE) Ratings

Parent and Subsidiary Rating Linkage

Short-Term Ratings Criteria for Non-Financial Corporates

The Rating Process

Evaluating Corporate Governance

DISCLAIMER