Ponni Sugars (Erode) Limited

July 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	15.00	CARE A-; Stable	Reaffirmed
Short-term bank facilities	1.00	CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of Ponni Sugars (Erode) Limited (PSEL) continue to derive strength from PSEL's long-standing experience in sugar manufacturing with strong parentage, comfortable capital structure, debt coverage indicators and strong liquidity position. Ratings also consider partially integrated operations with existence of Cogen Unit, favorable location of the sugar plant and minimal utilisation of working capital limits.

However, ratings are continued to be constrained by its moderate scale of operations and profitability that declined in FY25 over FY24 mainly considering a decline in cane crushing quantities, implication of the government regulations regarding sales quantity and marginal decline in recovery rate owing to adverse climatic conditions. Ratings also factors in vulnerability of operations to vagaries of nature, seasonal nature of business, absence of ethanol manufacturing, which leads to product concentration and restricts profitability, and regulated nature of the sugar industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significantly increase in total operating income (TOI) over ₹700 crore and improvement in profitability margin at 14% supported by increasing volumes crushed and improvement of recovery rates.

Negative factors

- Debt funded capex / increase in the utilisation of working capital limits resulting in overall gearing over 0.50x.
- Declining scale of operations to less than ₹350 crore and profit before interest, lease rentals, depreciation and taxation (PBILDT) margin declining below 10% on a sustained basis.
- Inordinate delay in realisation of power dues impacting cashflows and liquidity position.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CareEdge Ratings') expectations that PSEL will continue to benefit from its established track record in the sugar industry and favourable location of the plant while maintaining comfortable solvency position in the medium term.

Detailed description of key rating drivers:

Key strengths

Strong parentage with longstanding experience in sugar manufacturing

PSEL is part of the established group Seshasayee Paper Board (SPB) group, which has over six decades of experience in business of pulp & paper manufacturing, sugar manufacturing, engineering consultancy and battery manufacturing. PSEL has over three decades of experience in sugar manufacturing and has over time, acquired significant experience in managing the seasonal nature and other challenges in the sugar industry.

Comfortable capital structure and debt coverage indicators

PSEL's financial risk profile continues to be comfortable considering minimal dependence on external debt to fund its working capital requirements, with nil utilisation of working capital limit and low creditors period, total outside liabilities to tangible net worth (TOL/TNW) stood comfortable at 0.05x as on March 31, 2025 (PY: 0.07x). PSEL has been undertaking its current operational

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

and maintenance capex using its internal accruals. Considering this, and healthy cash accruals, debt coverage indicators also stood comfortable for three financial years ended FY25. With no major debt funded capital expenditure planned in the next 2-3 years, capital structure expected to remain comfortable in the near-to-medium term. In FY25, the company has acquired jaggery manufacturing unit having 50 TCD for a consideration of ₹4.60, which was funded entirely through internal accruals.

Geographical advantage of the plant leading to higher crushing period
PSEL undertakes cane crushing in twice a year owing to geographical advantage. PSEL's command area is near Cauvery riverbanks, which provide a reliable water source for sugarcane cultivation and the sugar mill operations. The two-sugarcane crushing seasons being undertaken with normal one from November to March with additional season being July to October of a year. Higher availability of the sugarcane enables company to undertake higher sugarcane crushing in the year.

Partially integrated operations and revenue generation from sale of by-products
Apart from sugar, PSEL is partially integrated with a 19 MW full capacity co-generation plant. Of the total production in FY25, ~25% was used for auxiliary and self-consumption and the balance is sold to Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) basis a long-term power purchase agreement (PPA) per the rate fixed by Tamil Nadu Electricity Regulatory Commission (TNERC) periodically. Of the total revenue in FY25, ₹223.84 crore (~62%) was derived from sugar, ₹53.75 crore (~15%) through sale of molasses, ₹46.61 (~13%) through sale of power and ₹31.70 (~9%) pertains to sale of bagasse.

Key weaknesses

Moderate scale of operations and profit margins which declined in FY25
The overall operations remained moderate, and fluctuating marked by TOI stood in the range of ₹288.35 crore to ₹435.43 crore from FY22 to FY25. TOI reduced to ₹359 crore in FY25 from ₹421.31 crore in FY24. Decline in revenue was considering decline in cane availability due to adverse climatic conditions, which led to decline in operational days and volume of cane crushed. Other factors include imposition of MSQ (Minimum Sales Quota) by government in FY25 onwards and sales quantity being regulated by the management basis sugar prices also impacted the company's revenue positions. The PBILTD margin also moderated to 7.29% in FY25 from 10.22% in FY24 as scale of operations was affected and power and fuel cost increased owing to increase in bio-fuel prices in the year. Profit after taxation (PAT) margin also moderated to 5.36% in FY25 against 11.12% in FY24. Going forward, CareEdge Ratings expects that with better realisation profitability is expected to improve but remain moderate in the near term.

Regulated and seasonal nature of sugar industry
The sugar industry is regulated and susceptible to government policies owing to importance of sugar in the wholesale price index (WPI) calculation and it being an essential commodity. To regulate supply and price of sugar, the government resorts to regulations such fixing of Fair & Remunerative Prices (FRP) of sugarcane, regulating quantities of sugar export, and allocating minimum sale quota to sugar mills among others. All these factors impact cultivation patterns of sugarcane in the country and affect profitability for sugar companies. Profitability of sugar companies is further affected by the seasonal nature of the sugar industry. Adverse climatic conditions lead to low availability of cane for crushing and low sugar recovery rates.

Low sugar recover rates from southern India
Climatic conditions, more specifically, monsoons influence operational parameters for a sugar entity, such as crushing period and sugar recovery levels. Degree of dispersion of monsoon precipitation across sugar-growing areas also leads to fluctuating trends in sugar production across regions. This is more critical for PSEL, which operates in Erode that has historically received below-par rainfall. However, this risk is partly offset due to its command area for sourcing sugarcane also covers Cauvery Riverbanks. PSEL's sugar recovery rates have been an average, which moderated to 9.17% in FY25 against 9.54% in FY24.

Liquidity: Strong

PSEL's liquidity is strong marked by broadly stable cash accruals and no external debt obligation. The company sparsely uses its sanctioned fund-based limits of ₹15 crore, which provides an additional liquidity backup. As on March 31, 2025, PSEL had free cash and bank balance of ₹26.03 crore (current account and cash in hand: ₹5.24 crore; deposits with maturity less than 12 months: ₹20.79 crore). The current ratio and quick ratio stood comfortable as of March 31, 2025, at 6.27x (PY:4.88x) and 2.21x (2.26x) respectively. Cash flow from operating activities stood positive at ₹7.83 crore (PY: positive operating cashflow of ₹4.03 crore)

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

Macro-economic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Agricultural food & other products	Sugar

Incorporated in 1996, PSEL is engaged in sugar manufacturing and operates a sugar mill at Erode, Tamil Nadu with capacity of 3500 Tons of Cane per Day (TCD). PSEL is partially integrated with a 19 megawatt (MW) full capacity co-generation plant. PSEL is part of the Seshasayee Paper and Boards Limited - Esvin Group (SPB-Esvin group). The group has over six decades of experience in pulp & paper manufacturing, sugar manufacturing, engineering consultancy and battery manufacturing.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	421.31	359.46
PBILDT	43.06	26.22
PAT	46.86	19.28
Overall gearing (times)	0.00	0.00
Interest coverage (times)	331.23	524.40

A: Audited; 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
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE A-; Stable
Fund-based - LT-Cash Credit		-	-	-	5.00	CARE A-; Stable
Non-fund-based - ST-BG/LC		-	-	-	1.00	CARE A2+

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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	10.00	CARE A-; Stable	-	1)CARE A-; Stable (27-Jun-24)	1)CARE BBB+; Stable (04-Jul-23)	1)CARE BBB+; Stable (07-Jul-22)
2	Fund-based - LT-Cash Credit	LT	5.00	CARE A-; Stable	-	1)CARE A-; Stable (27-Jun-24)	1)CARE BBB+; Stable (04-Jul-23)	1)CARE BBB+; Stable (07-Jul-22)
3	Non-fund-based - ST-BG/LC	ST	1.00	CARE A2+	-	1)CARE A2+ (27-Jun-24)	1)CARE A2 (04-Jul-23)	1)CARE A2 (07-Jul-22)

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	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here]

Note on the complexity levels of rated instruments: CareEdge 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

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About us:
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