Ponni Sugars (Erode) Limited

July 08, 2026

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.

The list of facilities / instruments falling under the purview of various financial sector regulators (FSRs), along with the names of respective FSRs has been disclosed under Annexure-6.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of Ponni Sugars (Erode) Limited (PSEL) factors in stable operational performance in FY26 (FY refers to April 01 to March 31) marked by increase in total operating income (TOI) on back of higher cane crushed and better sales realisation which resulted in recovery in profit margins.

Ratings continue to derive strength from company's long-standing experience in sugar manufacturing with strong parentage, comfortable capital structure, debt coverage indicators and strong liquidity position. Ratings also consider partial integrated operations with existence of Cogen Unit and geographical advantage which provides a reliable water source for sugarcane cultivation and sugar mill operations.

Ratings continue to remain constrained by its moderate scale of operations and profitability margins with 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 sugar industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant increase in total operating income (TOI) over ₹700 crore and improvement in profit before interest, lease rentals, depreciation and taxation (PBILDT) 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 on a sustained basis.
- Declining scale of operations to less than ₹350 crore and significant reduction in PBILDT margin 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 Seshasayee Paper and Boards Limited - Esvin Group (SPB-Esvin group), which has over six decades of experience in 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. The company has qualified Teir II management personnel having experience in their respective fields.

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

Comfortable capital structure and debt coverage indicators

PSEL's capital structure continues to remain comfortable with no term debt and nil utilisation of working capital limits as on balance sheet date. As a result, the overall gearing stood nil as on March 31, 2026, same as March 31, 2025. Working capital utilisation also remains minimal in the last 12 months. The total outside liabilities to tangible net worth (TOL/TNW) stood comfortable at 0.08x as on March 31, 2026 (compared to 0.05x as on March 31, 2025). PSEL has been undertaking its current operational and maintenance capex using its internal accruals.

Debt coverage indicators also stood comfortable with healthy interest coverage ratio. With no major debt funded capital expenditure planned, capital structure and debt coverage indicators are expected to remain comfortable in the near-to-medium-term.

Geographical advantage of the plant leading to higher crushing period

PSEL undertakes cane crushing 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 sugar mill operations. The two-sugarcane crushing seasons comprises normal one from November to March with additional season being July to October. 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

PSEL is partially integrated with a 19 megawatt (MW) co-generation plant. Of the total production in FY26, ~25% was used for auxiliary and self-consumption and the balance is sold to Tamil Nadu Power Distribution Corporation Limited (TNPDCL) on the basis of a long-term power purchase agreement (PPA) per rate fixed by Tamil Nadu Electricity Regulatory Commission (TNERC) periodically. Of the total gross sales in FY26, ₹271.97 crore (~54%) was derived from sugar, ₹44.61 crore (~09%) through sale of molasses, ₹57.94 (~11%) through sale of power and ₹45.83 (~9%) through sale of bagasse.

Key weaknesses

Moderate scale of operations and profit margins

Overall scale of operations remained moderate, and fluctuating marked by TOI stood in the range of ₹288.35 crore to ₹435.43 crore from FY22 to FY26. However, TOI increased to ₹414.99 crore in FY26, compared to ₹359.46 crore in FY25, owing to increase in sugar sales led by higher crushing rate and increased revenue from power segment. Average crushing rate has increased to 2,822 tonne per day (TCD) in FY26 against 2,470 TCD in FY25 considering higher sugarcane availability in the year. The gross recovery rate has also improved to 9.79% in FY26 from 9.17% in FY25. The average power realisation increased to ₹6.13 per unit in FY26 from ₹5.80 per unit due to increase in the power tariff by TNERC. The company expects its revenue to remain moderated in the near term, considering delayed monsoon, which likely to impact the sugarcane availability in the next sugar season. The company successfully commenced jaggery plant operations from January 2026, which slightly add up the revenue contribution from FY27 onwards.

The PBILDT margin also improved but remained moderated at 8.80% in FY26 compared to 7.29% in FY25, primarily owing to reduction in other manufacturing expenses. Profit after tax (PAT) margin also improved to 11.70% in FY26 compared to 5.36% in FY25. This improvement was largely supported by extraordinary income arising from additional tariff receivable. The additional power tariff of ₹45.23 crore is to be received per the outcome received from Appellate tribunal for electricity (APTEL) in favour of the company. It also includes income related to derecognition of liability of parallel operating charges (POC) of ₹4.91, which is not leviable to the company per the judgement from APTEL. While, it has been contested in the supreme court, the management is expecting the decision to be in their favour. Going forward, CareEdge Ratings expects profitability to remain moderate in the near term due to expected moderation in sugar production.

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 improved but remain moderate at 9.79% in FY26 against 9.17% in FY25.

Liquidity: Strong
The liquidity position remained strong marked by no long-term debt and free cash and bank balance of ₹47.17 crore as on March 31, 2026, compared to ₹26.03 crore as on March 31, 2025. Utilisation of its working capital facilities stood comfortable marked by average maximum and average utilisation of fund-based limits at 3.22% and 0.14% respectively for 12-months ended April 2026. utilisation of non-fund-based limits remain nil for 12-months ended June 2025. The current and quick ratio stood comfortable at 5.65x and 2.16x respectively as on March 31, 2026 (against 6.27x and 2.21x respectively as on March 31, 2025). Cash flow from operations stood negative at ₹43.74 crore in FY26 (against positive ₹7.83 crore in FY25) owing to increase in other receivables pertaining to TNPDCL.

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 and other products	Sugar

Incorporated in 1996, PSEL is engaged in sugar manufacturing and operates a sugar mill at Erode, Tamil Nadu with an installed capacity of 3500 TCD. The company is partially integrated with a 19 MW co-generation plant. PSEL is part of the SPB-Esvin group which has over six decades of experience across diverse sectors including pulp & paper manufacturing, sugar production, engineering consultancy and battery manufacturing.

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)
Total operating income	359.46	414.99
PBILDT	26.22	36.50
Profit after tax (PAT)	19.28	48.56
Overall gearing (x)	0.00	0.00
Interest coverage (x)	524.40	521.43

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 2026-2027	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
1	Fund-based - LT-Cash Credit	LT	10.00	CARE A-; Stable	-	1)CARE A-; Stable (02-Jul-25)	1)CARE A-; Stable (27-Jun-24)	1)CARE BBB+; Stable (04-Jul-23)
2	Fund-based - LT-Cash Credit	LT	5.00	CARE A-; Stable	-	1)CARE A-; Stable (02-Jul-25)	1)CARE A-; Stable (27-Jun-24)	1)CARE BBB+; Stable (04-Jul-23)
3	Non-fund-based - ST-BG/LC	ST	1.00	CARE A2+	-	1)CARE A2+ (02-Jul-25)	1)CARE A2+ (27-Jun-24)	1)CARE A2 (04-Jul-23)

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

Annexure-6: List of Facilities/Instruments and FSRs

As required by SEBI Circular dated February 10, 2026 to Credit Rating Agencies (CRAs), the list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is disclosed below:

Sr. No.	Facilities/Instruments Name	Regulator of the Instruments
1.	Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities)	SEBI
2.	Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities)	MCA
3.	Listed PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	SEBI

Sr. No.	Facilities/Instruments Name	Regulator of the Instruments
4.	Listed PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	SEBI
5.	Unlisted PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	RBI
6.	Listed Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI
7.	Unlisted Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI
8.	Loan Facilities (Fund / Non-Fund Based) From Banks / NBFCs / NHB / FIs ^	RBI
9.	External Commercial Borrowings and Other Similar Borrowings	RBI
10.	Certificates of Deposit	RBI
11.	Fixed Deposits Raised by Banks, NBFCs, HFCs, FIs	RBI
12.	Fixed Deposits Raised by Corporates Other Than Banks, NBFCs, HFCs, FIs	MCA
13.	Inter Corporate Deposits / Loans Extended by Corporates	MCA
14.	Borrowing Programme ~	-
15.	Issuer Ratings #	-
16.	Credit Ratings for Capital Protection Oriented Schemes (By Mutal Funds and AIFs)	SEBI
17.	Credit Quality Ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18.	Listed Security Receipts	SEBI
19.	Unlisted Security Receipts	RBI
20.	Independent Credit Evaluation (ICE)	RBI
21.	Expected Loss Ratings (For Loan Facilities (Fund / Non-Fund Based) from Banks / NBFCs / NHB / FIs)	RBI
22.	Expected Loss Ratings (Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities))	SEBI
23.	Expected Loss Ratings (Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities))	MCA
24.	Unlisted PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	Investor-side regulator such as IRDAI, PFRDA @

* Includes securitisation transactions involving assignee payout, acquirer's payout.

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In the press releases subsequent to issuance(s), CareEdge Ratings shall separately capture the rated quantum details along with names of respective regulators.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

@ These ratings were assigned during regulatory regime prior to introduction of SEBI CRA Circular dated February 10, 2026 and the investor side regulators have accordingly been included.

Note: For facilities / 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.

Note on 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

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Akhil Goyal Director **CARE Ratings Limited** Phone: 022-67543590 E-mail: akhil.goyal@careedge.in
Relationship Contact Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Ashish Kambli Associate Director **CARE Ratings Limited** Phone: 022-67543597 E-mail: Ashish.k@careedge.in Saurabh Darak Lead Analyst **CARE Ratings Limited** E-mail: Saurabh.darak@careedge.in

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