

December 26, 2025

Spray Engineering Devices Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund based – Term loan	20.74	20.74	[ICRA]BBB+ (Stable); reaffirmed
Long term – Fund based – Cash credit	66.73	66.73	[ICRA]BBB+ (Stable); reaffirmed
Short term – Non-fund based – BG/LC	57.53	57.53	[ICRA]A2; reaffirmed
Total	145.00	145.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of the ratings assigned to Spray Engineering Devices Limited (SEDL) factors in the established track record of its operations in manufacturing energy-efficient products and solutions for the sugar, jaggery and allied sectors along with the biofuel (ethanol) and water recycling segments.

The ratings also factor in a healthy financial risk profile with the capital structure of the company remaining comfortable over the past fiscal, marked by low reliance on long-term debt. The debt protection metrics also remain healthy, indicated by an interest coverage ratio of 3.4x in FY2025 and 9.9x in H1 FY2026. The scale of operations declined to Rs. 461 crore in FY2025 from Rs. 547 crore in FY2024, with reduced order execution moderating the profitability. However, the scale and profitability improved in H1 FY2026 with the company reporting revenues of Rs. 346 crore, owing to improved execution. Further, the revenues and profitability are expected to remain healthy for FY2026, improving from the FY2025 levels. The ratings also factor in a robust orderbook position of around Rs. 800 crore as on November 30, 2025, indicating healthy revenue visibility in the near to medium term.

The ratings, however, are constrained by the susceptibility of the operating margins to volatile input prices, the high average collection period and the long outstanding debtors. The major raw material used is steel, prices of which are fluctuating and can impact the company's profitability margins, going forward. Further, the company either gives performance bank guarantee (PBG) to the customers for a 1-2 year period, or the customers opt for cash retention. The retention money is released by the customers on the expiry of the performance period (defect liability period).

The Stable outlook on the rating reflects ICRA's expectation that SEDL is likely to sustain its operating metrics. Further, the outlook underlines ICRA's expectation that the entity's incremental capex will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Established track record of operations with strong R&D capabilities – The promoters have around 33 years of experience in the core engineering and sugar industry and belong to an engineering background and have been engaged in the core engineering and sugar business since 1992. In 2004, SEDL was set up for the manufacturing and sale of spray nozzles used in sugar mills. At present, the company supplies energy-efficient equipment for the sugar, jaggery, water recycling and biofuel (ethanol) segments in India and abroad.

SEDL has comprehensive in-house R&D capabilities with more than 100 patents in the sugar and allied sectors focussing on higher energy efficiency through reduced steam requirement. It has a team of around 60 research and design engineers in the R&D department and has been engaged in continuous R&D over the last 20-25 years. SEDL has also tied up with a US-based microbiology company, named LanzaTech, for R&D purposes.

Healthy financial risk profile – The company’s capital structure has remained healthy over the past fiscal, marked by low reliance on long-term debt. The overall gearing remained comfortable and improved to 0.5x as on March 31, 2025, from 0.6x as on March 31, 2024, on the back of an improvement in the company’s net worth. In H1 FY2026, the gearing stood at around 0.4x. The debt protection metrics, indicated by the interest coverage ratio, moderated to 3.4x in FY2025 from 8.9x in FY2024 due to a moderation in the absolute OPBITDA. However, in H1 FY2026, the interest coverage improved to 9.9x, largely on the back of better OPBITDA. In line, the total debt to OPBITDA also moderated to 2.4x as on March 31, 2025, from 0.9x as on March 31, 2024. In H1 FY2026, the total debt to OPBITDA stood at around 0.9x.

SEDL’s FY2025 revenue was at around Rs. 461 crore, down from around Rs. 547 crore in FY2024, largely on the back of delay in some export orders. However, the revenue in H1 FY2026 (provisional) was around Rs. 346 crore. Further, the revenues and profitability are expected to remain healthy for FY2026, improving from the FY2025 levels. Moreover, the company has witnessed healthy growth over the last 4-5 years on the back of an upswing in the sugar industry and greater revenue from diversified product segments, especially water treatment, ethanol and biofuels. SEDL has a large number of patents in the market with superior steam efficiency. This helps it in getting repeat orders from the sugar, jaggery and water treatment segments, which has supported the revenue growth in the last 4-5 years.

Strong orderbook indicating healthy revenue visibility - The current order book stands at around Rs. 800 crore with nearly 75% of the orders from the sugar, jaggery and biofuel segments and the remaining 25% from water treatment. The size of the orders from the sugar, jaggery and biofuels segments is larger (in the range of Rs. 35-40 crore) vis-à-vis the water treatment orders (usually around ~Rs. 5-6 crore). However, the number of orders is higher in water treatment vis-à-vis the other segments. The average execution time for a water treatment order is around 60 days, while the orders for the sugar, jaggery and biofuel segments take 5-6 months.

Credit challenges

Profitability remains exposed to volatility in raw material price fluctuations - The key raw material for SEDL is steel (including carbon steel), which accounts for 70-75% of the total raw material procured. All the orders are fixed price in nature with no price variation/escalation clauses, which makes the operating margins susceptible to volatile input prices. The prices of steel are fluctuating and vary with the global demand-supply scenario. This can impact the company’s profitability margins, going forward. However, in order to mitigate this impact, the entity usually quote orders on ‘cost plus’ basis.

Working capital-intensive nature of business with stretched receivables – The business is working capital-intensive with stretched receivables. In FY2025, almost 60% of its overall debtors are more than 6 months. Debtors greater than 6 months mainly comprise retention money. The company either gives PBG to the customers for a 1-2 year period, or the customers opt for cash retention. The retention money is released by the customers on the expiry of the performance period.

Liquidity position: Adequate

SEDL’s liquidity is adequate on the back of cash balances/liquid investments of around Rs. 4.00 crore as on November 30, 2025, and undrawn fund-based limits of around Rs. 8.85 crore as on October 31, 2025. In relation to these sources of cash, SEDL has debt repayment obligations of around Rs. 3.55 crore in FY2026. The average limit utilisation was around 77% in the last 10 months ended October 2025. Further, SEDL has moderate capex plans (around Rs 4-5 crore annually for general maintenance etc.) over the next three years, which would be funded from internal accruals.

Rating sensitivities

Positive factors – The ratings can be upgraded if SEDL exhibits a sustained improvement in its scale of operations while maintaining healthy profitability and improved working capital cycle and liquidity position.

Negative factors – The ratings can be downgraded if there is a sustained moderation in revenue and/or profitability along with an elongation in the working capital cycle due to a stretch in the receivables, thereby adversely impacting the liquidity. A specific credit metric for downgrade includes a total debt/OPBDITA of more than 2.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	To arrive at the ratings, ICRA has considered the consolidated financials of SEDL along with its group entities, which are listed in Annexure II

About the company

Spray Engineering Devices Limited (SEDL) was established in 2004 and specialises in manufacturing and delivering energy-efficient products & solutions to biofuels, chemicals, sugar, water and other processing sectors. SEDL has corporate offices in Chandigarh (UT) and Mohali (Punjab) along with three manufacturing units in Baddi (Himachal Pradesh).

Key financial indicators (audited)

Spray Engineering Devices Limited (consolidated)	FY2024	FY2025	H1FY2026*
Operating income	547.3	461.0	345.8
PAT	53.2	15.0	32.1
OPBDIT/OI	16.2%	8.4%	15.2%
PAT/OI	9.7%	3.3%	9.3%
Total outside liabilities/Tangible net worth (times)	1.5	1.0	1.0
Total debt/OPBDIT (times)	0.9	2.4	0.9
Interest coverage (times)	8.9	3.4	9.9

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current rating (FY2026)		Chronology of rating history for the past 3 years					
		FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Dec 26, 2025	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	20.74	[ICRA]BBB+ (Stable)	Mar 26, 2025	[ICRA]BBB+ (Stable)	-	-	-	-
Cash credit	Long term	66.73	[ICRA]BBB+ (Stable)	Mar 26, 2025	[ICRA]BBB+ (Stable)	-	-	-	-
Bank guarantee/LC	Short term	57.53	[ICRA]A2	Mar 26, 2025	[ICRA]A2	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund-based – Term loan	Simple
Long term – Fund-based – Cash credit	Simple
Short term – Non-fund based – BG/LC	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loan	Sep 2023	NA	Sep 2030	20.74	[ICRA]BBB+ (Stable)
NA	Cash credit	NA	NA	NA	66.73	[ICRA]BBB+ (Stable)
NA	Bank guarantee/ LC	NA	NA	NA	57.53	[ICRA]A2

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
SED Engineers & Fabricators Private Limited	100.00%	Full consolidation
Sustainable Environment Developers Limited	100.00%	Full consolidation

Source: Company data

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