

January 02, 2026

## Saraswati Sugar Mills Limited: Ratings reaffirmed

### Summary of rating action

| Instrument*  | Previous rated amount<br>(Rs. crore) | Current rated amount<br>(Rs. crore) | Rating action                |
|--|--------------------------------------|-------------------------------------|------------------------------|
| Long-Term - Fund-based -Cash Credit                    | 336.65                               | 336.65                              | [ICRA]A (Stable); reaffirmed |
| Long-Term - Fund-based Term Loan                       | 60.00                                | 60.00                               | [ICRA]A (Stable); reaffirmed |
| Short-Term - Non-fund Based Working Capital Facilities | 5.00                                 | 5.00                                | [ICRA]A1; reaffirmed         |
| <b>Total</b>   | <b>401.65</b>                        | <b>401.65</b>                       |                              |

\*Instrument details are provided in Annexure I

### Rationale

The reaffirmation of ratings continues to factor in SSML's long operational track record in the sugar industry and the strong parentage from its parent company, ISGEC Heavy Engineering Limited (IHEL; rated at [ICRA]AA (Stable)/[ICRA]A1+). ICRA notes that the parent company has supported SSML by providing relatively low-cost loans during the previous cyclical downturns, which supported SSML's credit profile. Going forward as well, ICRA expects IHEL to provide need-based support to SSML as and when required. The company's credit metrics remain comfortable for the rating category with interest coverage ratio of 6.8x in FY2025 although the same is expected to moderate further in FY2026 owing to expected moderation in the operating profits and slightly higher interest outgo. The debt levels have increased to Rs. 337.6 crore by the end of FY2025 and the overall borrowing levels are expected to remain near about similar levels by end of FY2026 as well. The company also benefits from a higher share of revenue from distillery operations given the remunerative prices as well as the better working capital cycle which provides cushion against the elongated working capital cycle of the sugar cycle. The profitability, although expected to moderate marginally owing to the increase in the cane procurement prices, although increased sugar realisations will partially temper the impact. The sugar and ethanol sales volume in FY2026 are expected to remain steady thereby supporting cash generation.

The company's profitability remains vulnerable to the cyclical nature of the sugar industry and the agro-climatic risks related to cane production. Further, the profitability of sugar mills, including SSML, remains vulnerable to the policies of both the state and the Central Government, international sugar trade, domestic quota, sugar and ethanol pricing and interest subvention loan for distillery capacity expansion. SSML has also witnessed a moderation in the cane crushed over SY2024 and SY2025 owing to lower cane availability. While in SY2026 the cane availability is expected to remain stable, the evolution of cane availability going forward will remain a key monitorable.

The Stable outlook on the rating reflects ICRA's opinion that SSML will continue to benefit from its healthy operational profile, partially forward-integrated operations, the long track record and strong parentage to generate steady cash flow from operations and maintain a stable credit profile.

### Key rating drivers and their description

#### Credit strengths

**Benefits of being a fully-owned subsidiary of IHEL:** SSML benefits from being a wholly-owned subsidiary of IHEL, which has a strong financial risk profile, reflected in its rating of [ICRA]AA(Stable)/[ICRA]A1+. This has been demonstrated by the relatively

low cost of the loans extended by the parent in times of cyclical downturns. Further, the company enjoys strong financial flexibility because of its strong parentage, as part of the ISGEC Group, and the access of the latter to low-cost funds at a short notice provides comfort.

**Long track record, forward-integrated operations:** SSML has a crushing capacity of 10,000 tonnes crushed per day (TCD) and a long track record of operations of over nine decades. Further, the company has forward integrated its operations with the commercialisation of a 100-KLPD distillery in December 2021 (enhanced to 160 KLPD in June 2023), thus strengthening its operational profile. The integrated operation provides alternative revenue sources and cushions its profitability against the cyclicity in the sugar business, lending stability to the operating profits.

**Profitability likely to remain healthy owing to steady sugar realisations and steady volumes from distillery segment:** The company's profitability remains vulnerable to the cyclical nature of the sugar industry and the agro-climatic risks related to cane production. Further, the profitability of sugar mills, including SSML, remains vulnerable to the policies of both the state and the Central Government, international sugar trade, domestic quota, sugar and ethanol pricing and interest subvention loan for distillery capacity expansion. SSML has also witnessed a moderation in the cane crushed over SY2024 and SY2025 owing to lower cane availability. While in SY2026 the cane availability is expected to remain stable, the evolution of cane availability going forward will remain a key monitorable.

**Comfortable debt coverage metrics:** The debt levels for SSML increased to Rs. 337.6 crore by the end of FY2025 from Rs. 265.6 crore at the end of FY2024 and the overall borrowing levels are expected to remain near about similar levels by end of FY2026 as well. The company's credit metrics remain comfortable for the rating category with interest coverage ratio of 6.8x in FY2025 although the same is expected to moderate further in FY2026 owing to expected moderation in the operating profits and slightly higher interest outgo. With the scheduled debt repayments being modest the debt service coverage ratio is expected to remain comfortable at around 1.6x in FY2026 and above 2.0x in FY2027.

## Credit challenges

**Moderating cane crushing levels:** SSML cane crushing has moderated over the course of last two sugar seasons, moderating by ~4.2% in SY2025 after a contraction of 11.9% YoY in SY2024. As a result, with diversion of cane crushed towards ethanol production, the sugar production has been falling over SY2024 and SY2025. The cane crushing levels are expected to remain largely stable or witness slight moderation and thereafter the cane availability is expected to improve. The evolution of cane crushing levels will remain a key monitorable.

**Profitability reliant on Government policies:** SSML's profitability, along with other Haryana-based sugar mills, continues to be vulnerable to the state government's policy on cane prices e.g. the Haryana State Administered Price (SAP) for SY2025-26 has been increased to Rs. 415/qtl while the sugar prices have risen moderately thereby impacting profitability. Cane prices as well as the related subsidy is determined by the state government at the beginning of the crushing season, and recently Haryana government has accorded the subsidy rates for the years SY2025-26 for sugar mills situated in the region. Further, its profitability remains vulnerable to the Central Government's policies on exports, minimum support price (MSP) and remunerative ethanol prices. However, the recent measures taken by the Central and state government have supported sugar prices and the liquidity of sugar mills. The continuation of Government support in the form of remunerative ethanol prices and interest subvention for the debt-funded distillery capex are likely to prevent the piling up of cane arrears.

**Profitability of sugar mills vulnerable to industry cyclicity and agro-climatic risks:** Being an agri-commodity, the sugarcane crop depends on climatic conditions and is vulnerable to pests and diseases, which may influence the yield per hectare and the recovery rate. These factors can have a significant impact on the company's profitability. Further, high dependence on a single crop may affect the yield and recovery rate. Nonetheless, SSML has been exploring other varieties to mitigate this risk to a certain extent. In addition, the cyclicity in sugar production results in a volatility in sugar prices. However, the sharp contraction in sugar prices has been curtailed after the introduction of MSP by the Central Government. Over the long term, higher ethanol production with increased diversion towards B-heavy molasses and direct sugar juice is expected to help curtail the excess supply of sugar, resulting in lower volatility in sugar prices and in turn, cash flows from the sugar business.

## Liquidity position: Adequate

SSML's liquidity position is expected to remain adequate, supported by net cash accruals of Rs. 40-42 crores in FY2026 along with healthy cushion in fund-based limits which have remained utilized to the extent of 37% on an average during last 12 months ending October 2025 and Rs. 9.6 crore as on September 30, 2025. In absence of major capex plans, the company should be able to meet its balance term loan repayment of Rs. 25 crore in FY2026 comfortably.

## Rating sensitivities

**Positive factors** – An upgrade will be backed by continued period of firm sugar prices, driven by favourable demand-supply dynamics, which will lower the volatility in cash flows from the sugar business and improve the operating profits and debt coverage metrics on a sustained basis.

**Negative factors** – Pressure on the ratings could arise if there is any sharp decline in sugar prices, recovery rate, or if cane costs rise. Further, sustained reduction in cane crushing volumes or any significant decline in ethanol realisations, or any material change in Government policies moderating the profitability and debt coverage metrics on a sustained basis could also weigh on the ratings. The ratings could also be downgraded if the credit profile of the parent, i.e. IHEL, deteriorates, or if the linkage with the parent weakens.

## Analytical approach

| Analytical approach             | Comments   |
|---------------------------------|--|
| Applicable rating methodologies | <a href="#">Corporate Credit Rating Methodology Sugar</a>  |
| Parent/Group support            | Parent Company: ISGEC Heavy Engineering Limited (IHEL) ICRA expects SSML to benefit from the financial support extended by the parent company, if required |
| Consolidation/Standalone        | Standalone   |

## About the company

SSML was the earliest business of the Puri family and was established in 1933, translating to an operational track record of more than nine decades. SSML is a 100% subsidiary of Isgec heavy Engineering Limited, the flagship company of the ISGEC Group (established in 1946), engaged in the manufacturing of heavy engineering equipment and executing various industrial projects. SSML operates a 10,000-TCD sugar mill along with a 160-KLPD distillery at Yamuna Nagar, Haryana.

## Key financial indicators (audited)

| SSML Standalone                                      | FY2024 | FY2025 |
|--|--------|--------|
| Operating income                                     | 823.3  | 748.5  |
| PAT  | 62.6   | 46.4   |
| OPBDIT/OI  | 13.9%  | 13.1%  |
| PAT/OI   | 7.6%   | 6.2%   |
| Total outside liabilities/Tangible net worth (times) | 1.1    | 1.13   |
| Total debt/OPBDIT (times)                            | 2.3    | 3.4    |
| Interest coverage (times)                            | 8.4    | 6.8    |

Source: Company, ICRA Research; 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 (FY2026)                          |            |                          | Chronology of rating history for the past 3 years |                  |              |                  |              |                  |              |                  |
|---|------------|--------------------------|---|------------------|--------------|------------------|--------------|------------------|--------------|------------------|
|   |            |                          | FY2026  |                  | FY2025       |                  | FY2024       |                  | FY2023       |                  |
| Instrument                                | Type       | Amount rated (Rs. crore) | Date  | Rating           | Date         | Rating           | Date         | Rating           | Date         | Rating           |
| Cash Credit                               | Long-Term  | 336.65                   | Jan 02, 2026                                      | [ICRA]A (Stable) | Oct 08, 2024 | [ICRA]A (Stable) | Jul 24, 2023 | [ICRA]A (Stable) | Jun 30, 2022 | [ICRA]A-(Stable) |
| Term Loan                                 | Long-Term  | 60.00                    | Jan 02, 2026                                      | [ICRA]A (Stable) | Oct 08, 2024 | [ICRA]A (Stable) | Jul 24, 2023 | [ICRA]A (Stable) | Jun 30, 2022 | [ICRA]A-(Stable) |
| Non-fund Based Working Capital Facilities | Short-Term | 5.00                     | Jan 02, 2026                                      | [ICRA]A1         | Oct 08, 2024 | [ICRA]A1         | Jul 24, 2023 | [ICRA]A1         | Jun 30, 2022 | [ICRA]A1         |
| Unallocated Limits                        | Long-Term  | -                        | -   | -                | -            | -                | Jul 24, 2023 | [ICRA]A (Stable) | Jun 30, 2022 | [ICRA]A-(Stable) |

### Complexity level of the rated instruments

| Instrument   | Complexity indicator |
|--|----------------------|
| Long-Term - Fund-based -Cash Credit                    | Simple               |
| Long-Term - Fund-based Term Loan                       | Simple               |
| Short-Term - Non-fund Based Working Capital Facilities | 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   | Long-Term - Fund-based -Cash Credit                    | NA               | ~7.5%-8.10% | NA       | 336.65                   | [ICRA]A (Stable)           |
| NA   | Long-Term - Fund-based Term Loan                       | Aug-2020         | 8.20%       | FY2027   | 60.00                    | [ICRA]A (Stable)           |
| NA   | Short-Term - Non-fund Based Working Capital Facilities | NA               | NA          | NA       | 5.00                     | [ICRA]A1                   |

Source: Company

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

**Annexure II: List of entities considered for consolidated analysis – Not Applicable**

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