

March 31, 2026

## Harinagar Sugar Mills 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	152.41	152.41	[ICRA]A- (Stable); reaffirmed
Long term – Fund based – Cash credit	450.00	450.00	[ICRA]A- (Stable); reaffirmed
Short term – Non-fund based limits	10.00	10.00	[ICRA]A2+; reaffirmed
<b>Total</b>	<b>612.41</b>	<b>612.41</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating reaffirmation factors in Harinagar Sugar Mills Limited's (HSML) forward-integrated operations into distillery and co-generation that provide alternative revenue streams and act as a cushion against the cyclicity in the sugar business to some extent. ICRA notes that favourable domestic sugar prices and sustained policy backing by the Government support the company's financial profile. Moreover, the ratings factor in the benefits of being located in eastern India, a sugar-deficit zone, because of which the company faces limited competition from the nearby sugar factories. Further, the cane pricing in Bihar is decided by the sugar companies in consultation with the state government, resulting in fair pricing for the farmers.

The ratings also draw comfort from the comfortable financial profile of the company with modest capital structure and debt coverage metrics.

The ratings, however, remain constrained by the vulnerability of HSML's profitability to the cyclical nature of the sugar industry (though the sharp fall in sugar prices has been curtailed after the introduction of MSP) and the agro-climatic risks related to cane production. The crushing levels in SY2026 moderated compared to SY2025 mainly due to climatic conditions which resulted in a reduction in cane plantation; however, this was partially compensated by better yields. Nevertheless, the company expects better crushing levels in SY2027, supported by varietal change, provided the weather remains favourable.

Further, the profitability of sugar mills, including HSML, is exposed to the policies of the state government and the Central Government on cane prices, international trade, domestic quota, sugar and ethanol pricing and interest subvention loan for distillery capacity expansion. The ratings factor in HSML's high working capital intensity of operations with NWC/OI at 62.5% in FY2025 due to the elevated inventory holding during year-end.

The Stable outlook on the rating reflects ICRA's opinion that HSML will continue to maintain its revenue and profitability, supported by its forward-integrated operations and comfortable liquidity position.

### Key rating drivers and their description

#### Credit strengths

**Long track record of operations; forward integration cushions sugar cyclicity to some extent** - HSML has a long operational track record in the sugar manufacturing with a 13,000-tonne-crushed-per-day (TCD) facility in Bihar. The plant's operations are forward integrated, with a co-generation capacity of 14.5 megawatt (MW) and a distillery capacity of 165 KLPD. The integrated

operations provide alternative revenue streams and act as a cushion against the cyclical nature associated with the sugar business to some extent.

**Locational benefit of being in sugar-deficit state; sugar companies fix cane prices in consultation with state government** - HSML's sugar mills are in Bihar, a sugar-deficit state, and thus face limited competition from the nearby sugar factories. Moreover, in Bihar, the sugar factories, in consultation with the state government, fix the cane price for a sugar season, which is applicable for all the sugar factories in the state. This pricing mechanism provides relief to sugar companies against the SAP mechanism followed in Uttar Pradesh, wherein only the state government decides the cane price. However, historically, any change in the fair and remunerative price (FRP) or SAP in UP has led to a revision in cane prices in Bihar.

**Comfortable capital structure and healthy coverage metrics** - The company's capital structure has remained comfortable with a gearing of 1.3 times in the past two years. The comfortable capital structure and profitability has resulted in modest coverage indicators. The company had an interest cover of 4.3 times (PY: 5.1 times) and DSCR of 2.4 times (PY: 1.6 times) as on March 31, 2025. Going forward, the debt coverage metrics will continue to be adequate, supported by favourable operating margins.

### Credit challenges

**High working capital intensity** - The seasonality in sugarcane crushing results in an elevated inventory of finished goods at each fiscal-end, leading to high working capital intensity of operations (NWC/OI of 62.5% as on March 31, 2025). Going forward, the inventory levels are expected to remain high mainly due to the seasonal nature of the business.

**Profitability vulnerable to policy interventions by the Government** - HSML's profitability, along with that of the other sugar mills, continues to be vulnerable to the policies of the state government and the Central Government on cane prices. Thus, the company's performance can be adversely impacted by a disproportionate increase in cane prices in any particular year. Further, the profitability remains vulnerable to the Government's policies on sugar international trade, domestic quota, sugar MSP, remunerative ethanol prices and interest subvention loan for distillery capacity expansion. The continuation of Government support in the form of remunerative ethanol prices and interest subvention for the debt-funded distillery capex is likely to prevent the piling up of cane arrears. However, cane prices in Bihar were revised upwards by Rs. 15/quintal for SY2026, which could limit the profitability. Nevertheless, firm domestic prices and a stable performance of the distillery division is likely to offset this risk to some extent for the integrated sugar mills.

**Profitability of sugar mills vulnerable to industry cyclical nature and agro-climatic risks** - Being an agri-commodity, the sugarcane crop is dependent on climatic conditions and vulnerable to pests and diseases that may not only impact the yield per hectare but also the recovery rate. These factors can have a significant impact on the company's profitability. Further, high dependence on a single crop variety may affect the yield and recovery rates. However, HSML has been exploring other varieties to mitigate this risk to a certain extent. In addition, the cyclical nature in sugar production results in a volatility in sugar prices. However, the sharp downfall in sugar prices has been curtailed after the introduction of MSP by the Central Government in June 2018. Over the long term, the forward integrated operations act as a cushion against the cyclical nature and support the company's cash flows.

### Liquidity position: Adequate

HSML's liquidity is adequate, with expectation of healthy cash flow from operations due to favourable sugar realisations and diversion towards ethanol. The company also had an average cushion of Rs. 170 crore in its working capital limits in the last 12 months ended February 2026. Its debt repayments (Rs. 22.0 crore in FY2027 and Rs. 26.0 crore in FY2028) are likely to be comfortably met from the expected cash flow from operations.

### Rating sensitivities

**Positive factors** - A healthy improvement in profitability and debt coverage metrics along with maintaining an adequate liquidity position, on a sustained basis, may trigger an upgrade. An interest coverage ratio above 5 times, on a consistent basis, may also lead to an upgrade.

**Negative factors** – ICRA could revise the ratings downwards if there is any sharp decline in revenues and profitability along with a significant decline in the ethanol business that would weaken the debt coverage metrics. A specific metric triggering an unfavourable rating action could be an interest cover of below 3 times on a sustained basis.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Sugar</a>
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial statement

## About the company

HSML, incorporated in 1933 by the Late Narayanlal B. Pittie, is a closely-held company with most of the shareholding with the Pittie family. The manufacturing facility is in the west Champaran region of Bihar. HSML has a crushing capacity of 13,000 TCD, distillery capacity of 165 KLPD and a co-generation capacity of 14.5 MW.

### Key financial indicators (audited)

	FY2024	FY2025
Operating income	804.2	795.9
PAT	36.4	31.6
OPBDIT/OI	13.6%	12.5%
PAT/OI	4.5%	4.0%
Total outside liabilities/Tangible net worth (times)	1.5	1.5
Total debt/OPBDIT (times)	4.2	5.1
Interest coverage (times)	5.1	4.3

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					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Mar 31, 2026	Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	152.41	[ICRA]A-(Stable)	Mar-26-25	[ICRA]A-(Stable)	Mar-15-24	[ICRA]A-(Stable)	Mar-20-23	[ICRA]A-(Stable)
Cash credit	Long term	450.00	[ICRA]A-(Stable)	Mar-26-25	[ICRA]A-(Stable)	Mar-15-24	[ICRA]A-(Stable)	Mar-20-23	[ICRA]A-(Stable)
Non-fund based limits	Short term	10.00	[ICRA]A2+	Mar-26-25	[ICRA]A2+	Mar-15-24	[ICRA]A2+	Mar-20-23	[ICRA]A2+
Unallocated limits	Long term/Short term	-	-	-	-	-	-	Mar-20-23	[ICRA]A-(Stable)/[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 limits	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 – 1	FY2023	NA	FY2038	17.13	[ICRA]A- (Stable)
NA	Term loan – 2	FY2024	NA	FY2029	29.75	[ICRA]A- (Stable)
NA	Term loan – 3	FY2025	NA	FY2032	12.40	[ICRA]A- (Stable)
NA	Term loan – 4	FY2025	NA	FY2032	70.20	[ICRA]A- (Stable)
NA	Term loan - Unallocated	NA	NA	NA	22.93	[ICRA]A- (Stable)
NA	Cash credit	NA	NA	NA	450.00	[ICRA]A- (Stable)
NA	Non-fund based limits	NA	NA	NA	10.00	[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 – Not Applicable**

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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