Magadh Sugar & Energy Limited

August 18, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Short Term Bank Facilities	2.00	CARE A1	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has assigned the short-term rating at 'CARE A1' to bank facilities of Magadh Sugar & Energy Limited (MSEL). Ratings derives strength from its affiliation with the K.K. Birla Group of Sugar Companies, Nandini Nopany faction of the erstwhile K.K. Birla group, which holds a prominent position in the Indian sugar industry. The group also has interests in the textile and fertiliser sectors. Ratings also factor in the experienced promoters and the promoter's support to the company in the form of cash infusion on need basis; and the company's long-standing track record of operating forward-integrated sugar mills, which enable diversified revenue streams. MSEL's efficient operations, with consistent capacity enhancement and healthy recovery rates (average net recovery rate of 10.2% in the last three years, though was lower in FY25 per industry wide trend), which has supported its credit risk profile. CareEdge Ratings expects MSEL's credit metrics to remain satisfactory and well-aided by improved operating conditions amidst regulatory support and reduction in debt levels with no major capex plans, despite some moderation in FY25 due to industry-wide factors.

However, rating strengths are partially offset by the company's exposure to cyclical and seasonal sugar industry, working capital intensive operations given the seasonality in industry resulting in its high dependence on short-term borrowings, and highly regulated by government with sugar being an essential commodity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in scale of operations accompanied by enhancement in its sugar and distillery capacities to strengthen its market leading position, leading to a yearly cash accrual of over ₹200 crore on a sustained basis.
- Reduction on its reliance on working capital limits and subsequent improvement in financial risk profile with net leverage (net debt to profit before interest, lease rentals, depreciation and taxation [PBILDT]) to remain below 2.8x on a sustained basis.

Negative factors

- Significant decline in operational metrics (cane yield, recovery, volumes, and prices among others) and material change in government policies that may adversely impact the company's financial risk profile.
- Higher than envisaged debt levels due to debt funded capex or considerable reliance on working capital borrowings impacting the debt protection metrics with net leverage of over 4.00x on a sustained basis.

Analytical approach: Standalone

Ratings factor in the comfort from the MSEL's financial flexibility and enhance market visibility stemming from it being part of a KK Birla Group of sugar companies and CareEdge Ratings' expectation of timely support from the promoter group, as and when required.

Outlook: Not applicable

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

Detailed description of key rating drivers:

Key strengths

Experienced promoters and financial flexibility of the group and long track record of operations

MSEL belongs to the Nandini Nopany and Chandra Shekhar Nopany faction of the erstwhile KK Birla group of companies. The group is an established business house having interest in sugar, textiles and fertilisers. Sutlej Textiles and Industries Limited belonging to promoters is among India's leading producers of dyed spun yarn and value added/speciality yarn. Chambal Fertilizers and Chemicals Limited, where the Nandini Nopany faction is one of the three promoter groups, is engaged in the manufacturing urea and trading complex fertilisers and pesticides. The group also operates sugar mills in Uttar Pradesh through another group company Avadh Sugar & Energy Ltd (ASEL). The sugar units of ASEL and MSEL have an operational track record of over eight decades and were earlier operating under Upper Ganges Sugar & Industries Limited (UGSIL) and Oudh Sugar Mills Limited (OSML). The combined sugar capacity of the group (56,300 TCD) placing the group position within the top five players the Indian sugar industry. MSEL and ASEL, have combined daily industrial ethanol output of ~260,000 litres with 480 KLPD capacity and co gen capacity of 112 MW.

The association with the Nandini Nopany and being a part of the KK Birla group places the company in a comfortable position considering the financial flexibility available from promoters. Being the largest sugar producer of Bihar, MSEL holds a significant importance in the group. Over the years, the group demonstrated continuous support to the erstwhile OSML and UGSIL by infusing funds from time to time by way of unsecured loan/ICDs through associate companies. Per the management, the promoter support shall be available to the company in the form of cash infusion to support the capex or growth opportunity (though not in pipeline currently) or in case it faces headwinds in the future.

Well integrated operations providing stability in long-term

MSEL's operations are integrated, with a presence across sugar manufacturing (21,500 TCD in FY25 across three plants including Narkatiaganj, Sidhwalia and Hasanpur, capacity enhanced from 19,000 during the year, with addition of 2,500 TCD in Narkatiaganj plant), bagasse-based cogeneration power (38 MW installed capacity across three plants), and distillery operations (except for Hasanpur with capacity of 155 KLPD, of 75 KLPD capacity in Sidhwalia was converted to multi feed during the year), which safeguards the company to some extent from fluctuation in prices and seasonality.

In FY25, the sugar segment remained the primary revenue driver, contributing ~76% of total revenue (PY: 71%) and 58% EBIT (PY: 45%). The distillery segment accounted for ~19% revenue (PY: 22%) and 31% of EBIT (PY: 37%), with margin contraction largely attributable to industry wide factors, lower grain-based ethanol profitability, higher cane costs leading to increased transfer pricing, static ethanol selling prices, and limited sugar diversion considering sugar diversion restrictions in ESY 2024. All three segments; sugar, distillery, and co-gen; remain exposed to agrarian risks, including low cane yield and recovery rates, primarily driven by monsoon trends, which could adversely affect profitability and cash flows. Going forward, the company's ability to sustain healthy operational metrics across all business segments will remain a key monitorable from a credit perspective.

Comfortable financial risk profile and healthy credit metrices

After three years of stagnant revenue levels, the company witnessed a ~15% and ~18% increase to register the revenue of ₹1097 crore and ₹1298 crore, in FY24 and FY25, respectively, due to better realisations and increase in sugar sales, though revenue from distillery operations remains constant in FY25. Its realisation in sugar refinery segment (domestic) from which major portion of revenue is generated increased from ₹35.72/Kg in FY23 to ₹39.06/Kg in FY25. Distillery realisation dipped due to higher share of ethanol produced from B-Heavy Molasses compared to last year. However, owing to erratic monsoon and red rot infestation in sugarcane around one of its plants, and the government regulations impacting the profitability of distillery segment, the operating profit margin declined from 19.47% in FY24 to 15.95% in FY25.
Going forward, the new policies including lifting of ban on diversion, firm sugar prices, allocation of export quotas, and better operating conditions are expected to result in higher profitability, though expected to remain moderate profitability considering rise in FRP and almost fixed ethanol prices.

MSEL has strong financial risk profile which is evident from low overall gearing ratio of 0.85 as on March 31, 2025 (March 31, 2024: 0.85). Debt coverage indicators also remained healthy with interest cover at 4.87x in FY25 (FY24: 6.66x), total debt/PBILDT at 3.8x for FY25 (FY24: 2.98). The slight moderation was considering higher term loan taken in FY25 to support its capacity enhancement and modernisation, resulted in increase in total debt from ₹637 crore at FY24 end to ₹707 crore at FY25 end, and the same lowered to ₹511 crore largely due to lower cc utilisation. These are expected to improve, with expectations of total debt to PBILDT of 1.5X-2.0x levels by FY28, as the sugar industry recovers in next two-three seasons.

Key weaknesses

Vulnerability of operations to agro climatic conditions

Being an agro-based industry, MSEL's performance depends on the availability of sugarcane for crushing which may get adversely affected due to adverse weather conditions resulting in lower availability and diversion of cultivable lands to alternate crops.

Cyclical and regulated sugar industry

The industry is cyclical and is vulnerable to government policies for reasons such as its importance in wholesale price index (WPI) as it classifies as an essential commodity. The government on its part resorts to regulations such as fixing the raw material prices in the form of state advised prices (SAP) and fair and remunerative prices (FRP). All these factors impact cultivation patterns of sugarcane in the country and thus affect profitability of sugar companies. MSEL's profitability, and other sugar mills', continues to remain vulnerable to the central and state governments' policy on cane prices. Thus, the company's performance can be impacted by disproportionate increase in cane price in a particular year. Profitability remains vulnerable to the government's policies on exports, MSP and remunerative ethanol prices. In addition, the cyclicality in sugar production results in volatility in sugar prices. However, sharp contraction in sugar prices is curtailed after MSP's introduction by central government in June 2018. Healthy exports and higher diversion of sucrose towards ethanol in the recent years resulted in favourable demand supply dynamics in the country, thus resulting in improved realisations across the industry. Over the long term, higher ethanol production with increased diversion towards B-heavy molasses and direct sugar juice by the industry is expected to help in curtailing the excess supply of sugar, resulting in lower volatility in sugar prices and cash flows from the sugar business.

Working capital intensive operations

The sugar industry being seasonal has high working capital requirements in the peak season, which is from November to April, to procure their primary raw material, sugarcane and manufacture sugar in this period. The average working capital utilisation at maximum level for the 12 months period ended May 31, 2025, stood at 85%, with peak utilisation reaching 99%, at sanctioned limits of ₹612 crore, thus leaving low buffer in form of unutilised limits to absorb fluctuation in demand and prices.
MSEL has closing sugar inventory of 1.57 LMT as on March 31, 2025, down from 1.83 LMT as on March 31, 2024 valuing to ₹564 crore (PY: ₹628 crore) leading to continued elevated average inventory holding of 243 days as on March 31, 2025 and 275 days as on March 31, 2024, and operating cycle also elongated at 216 days as on March 31, 2025, slightly down from 234 days as on March 31, 2024. The sugar inventory had decreased to 0.93 LMT as on June 30, 2025 valuing to ₹334 crore. As the inventory is sold off, the pressure on the working capital shall gradually subside. However, going forward, MSEL's dependence on the borrowings limits and its ability to fund its working capital requirements through internal accruals shall be a key monitorable.

Liquidity: Adequate

Liquidity position of the company is adequate marked by expected accruals in the range of ₹120-160 crore in FY26 and FY27 (₹144 crore in FY25, benefitted from cane commission remission amounting ₹24.78 crore) against the scheduled repayment obligations of ₹53.98 crore and ₹72.17 crore in FY26 and FY27, respectively, and no major capex plans. Sugar companies are required to clear the cane arrears within 14 days, whereas sugar inventory is sold throughout the year.
MSEL's fund-based working capital limits of ₹612 crore remained average, with average utilisation at 85% over the 12 months ending May 2025, reflecting adequate buffer to meet seasonal or unforeseen requirements. The company had sugar inventory amounting to ~₹564 crore as on March 31, 2025, against the working capital utilisation of ₹478 crore. The seasonal sugar industry leads to elevated working capital requirements in the crushing season, peaking around March. However, with liquidation of sugar inventory post-season, working capital borrowings currently reduced to ₹295 crore as on June 30, 2025.

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
Short Term Instruments
Factoring linkages in the rating
Financial Ratios – Non financial Sector

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

MSEL was incorporated on March 19, 2015 as a subsidiary of Upper Ganges Sugar & Industries Limited (UGSIL). UGSIL and Oudh Sugar Mills Limited (OSML) were incorporated in 1932 by the erstwhile KK Birla group. Nandini Nopany and Chandra Shekhar Nopany, eldest daughter and grandson of the late K K Birla, inherited UGSIL and OSML after the demise of K K Birla on August 30, 2008. Through a Composite Scheme of Arrangement, the business undertakings at Sidhwalia and Hasanpur, Bihar of UGSIL have been demerged to MSEL at book value from appointed date of April 01, 2015. The business undertaking at Narkatiaganj, Bihar of OSML has been first transferred to Vaishali Sugar and Energy Limited (VSEL) via slump sale and is subsequently merged with MSEL from the appointed date of April 01, 2015. MSEL is primarily engaged in manufacture and sale of Sugar and its By-products (molasses and bagasse), Spirits including Ethanol and co-generated power in Bihar. MSEL is operating sugar mills of capacity 21,500 TCD, TCD, co-generation power plants of 38 MW and distillery units of 155 KLPD (currently molasses based, conversion to grain based is under implementation, which is expected to commission by next 2-3 months).

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	1,096.58	1,297.50
PBILDT	213.45	186.06
PAT	116.41	109.45
Overall gearing (times)	0.85	0.85
Interest coverage (times)	6.66	4.87

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
Non-fund-based - ST-Bank Guarantee		-	-	-	2.00	CARE A1

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	Non-fund-based - ST-Bank Guarantee	ST	2.00	CARE A1				

LT: Long term; ST: Short term; LT/ST: Long term/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	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated: Not applicable

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.

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About us:
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