MEGASTAR FOODS LIMITED

April 23, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	61.29	CARE BBB- (RWN)	Placed on Rating Watch with Negative Implications
Long-term / Short-term bank facilities	238.71	CARE BBB- / CARE A3 (RWN)	Placed on Rating Watch with Negative Implications

Details of instruments/facilities in Annexure-1.

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

Rationale and key rating drivers

Ratings assigned to bank facilities of MEGASTAR FOODS LIMITED (MFL) are placed under 'Rating Watch with Negative Implications' following the announcement by the company on the Bombay Stock Exchange (BSE) as on April 14, 2026, pertaining to notice issued by Market committee, Ropar, for non-payment of Market Committee Fee of ₹36.69 crore and Rural Development Fund (RDF) amounting to ₹36.69 crore, aggregating to ₹73.38 crore. CARE Ratings Limited (CareEdge Ratings) will continue to monitor developments in this regard and will take a view on ratings, once more clarity emerges on implications of the notice on the company's liquidity profile.

Reaffirmation of ratings assigned to bank facilities of MFL draws comfort from long-standing association with reputed clientele and experienced management with long track record of operations. Ratings also factor in improvement in the company's operational performance and average financial risk profile of the company marked by moderate capital structure and debt coverage indicators. However, ratings are constrained by working capital intensive operations of the company resulting in higher reliance on external funds in the procurement season. Ratings also factor in competition from organised and unorganised players and market dynamics to impact raw material availability and its pricing. CareEdge Ratings believes the company's ability to improve its debt coverage metrics driven by lower reliance on external debt will be a crucial factor to monitor from a credit perspective.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scaling up of operations with total operating income (TOI) above ₹650 crore coupled while maintaining profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 7.50% on a sustained basis.
- Improvement in financial risk profile and total debt to PBILDT (TD/PBILDT) below 3x on a sustained basis.

Negative factors

- Deterioration in the financial indicators with an overall gearing above 2x and interest coverage ratio (ICR) of less than 2.50x.
- Moderation in PBILDT margin below 5% with decline in TOI below ₹300 crore on a sustained basis.

Analytical approach: Standalone

Outlook: Not applicable

Detailed description of key rating drivers:

Key strengths

Improvement in operational performance

The company has demonstrated growth in its operational performance, with TOI increasing at a compounded annual growth rate (CAGR) of ~21% over the last five years, reaching ₹350.12 crore in FY25 (FY2 refers to April 01 to March 31), a 38% rise from FY24. In terms of profitability, the company's PBILDT margin improved to 6.23% in FY25 (PY: 5.00%). The improvement in operational performance was primarily driven by higher sales realisation and enhanced product mix. This growth was further

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

supported by better utilisation of existing capacity and partial commencement of expanded capacity as on November 18, 2024. In 9MFY26 (9M refers to April 01 to December 31), the company achieved operating income of ₹386.51 crore (PY: ₹230.31 crore) with PBILDT margin of 6.58% (PY: 5.26%) and is expected to improve in the remaining part of the year. CareEdge Ratings believes MFL's ability to maintain sustained growth in operational performance will remain a key monitorable in the near-to-medium term.

Average financial risk profile
The company's capital structure stood moderate marked by overall gearing of 1.18x as on March 31, 2025 (PY: 0.62x) and 1.86x as on September 30, 2025. Moderation in gearing levels was primarily due to additional debt availed for capacity expansion in FY25 and increase in working capital requirements of the company to support its growing scale of operations and seasonality in wheat procurement. The debt coverage indicators as marked by TD/PBILDT and interest coverage ratio (ICR) also stood moderate at 5.58x and 1.90x, respectively, as on March 31, 2025, due to increase in debt levels despite improvement at operating levels. However, with improvement in operational performance, debt coverage indicators are expected to improve over near-to-medium term.

Experienced management and longstanding operations
MFL has established a long and successful track record of operations in the food industry. Over the years, the company has grown by leveraging its extensive experience and understanding of market dynamics. Vikas Goel, Chairman and Managing Director, has over 30 years of industry experience and plays a crucial role in formulating and implementing business strategies, overseeing the company's expansion and overall management. Vikas Gupta, Managing Director, with over 20 years of experience, holds a Bachelor of Commerce degree and an Intermediate certificate from ICAI. He leads production, HR, and administration, and is actively involved in business development.

Long-standing association with reputed clientele albeit customer concentration risk
Over the years, the company has established a strong relationship with its clients, which is also reflected by repeated sales to them. However, the top 10 customers contributed ~60% of total sales in FY25 (PY: ~28%), exposing the company to customer concentration risk. However, long-term association with its existing customers and repeated orders from them, mitigates this risk to some extent. The company is also focusing on adding new clients while retaining existing ones by adding value-added products to its offerings. Going forward, both client retention and addition of new customers will remain key factors to monitor.

Key weaknesses

Working capital intensive nature of operations
MFL's operating cycle stood at 62 days as on March 31, 2025, and March 31, 2024, mainly attributable to inventory levels as the agricultural industry has to maintain stock levels according to the government policies (stock limit, pricing, among others). Since the procurement of raw material is seasonal in nature, the company's working capital requirements remain at elevated levels in the season. The average working capital utilisation for the trailing 12 months ending February 2026 stood at ~76% with the highest average utilisation of ~98% in May 2025. The company's inventory levels are expected to stay elevated as on balance sheet date. CareEdge Ratings believes, the company's ability to improve its debt coverage metrics driven by lower reliance on external debt will be a crucial factor to monitor from a credit perspective.

Competition from organised and unorganised players
The wheat market faces competition from both organised and unorganised players. Major corporations dominate the organised sector with advanced milling technology and extensive distribution networks. On the other hand, numerous regional mills cater to local markets, often focusing on traditional milling practices or specific varieties of wheat. This diverse landscape ensures a dynamic and competitive market environment. The company's ability to safeguard its profitability margins while managing its competition in an efficient manner will continue to be a crucial factor to monitor.

Market dynamics to impact raw material availability and pricing
Fluctuations in raw materials, particularly wheat, are often influenced by factors, such as weather conditions, which can significantly impact both supply and pricing. These disruptions can have a cascading effect on the entire production process, making it difficult for producers to plan and manage their operations effectively. Changes in government policies can have a direct impact on operational performance. Overall, the variability in wheat production and supply chain disruptions underscore the importance of developing resilient agricultural practices and supply chain strategies to mitigate these risks and ensure a stable supply of wheat. However, MFL, in Punjab, benefits from the region's surplus wheat production, minimising the impact of raw material availability due to its location. Being a commodity, wheat exposes the company to raw material price fluctuations risk. Any major fluctuations in the pricing of wheat, impacting MFL's profitability margins will remain a key monitorable.

Liquidity: Adequate

MFL's liquidity is adequate as marked by gross cash accruals (GCA) of ₹10.59 crore for FY25, which is expected to be in the range of ₹20-22 crore against its scheduled term debt obligation of ₹14.73 crore in FY26. Since the procurement of the raw material is seasonal in nature, the working capital requirements of the company remain at elevated levels in the season. The average working capital utilisation for the trailing 12 months ending February 2026 stood at ~76% with the highest average utilisation of ~98% in May 2025. The company's ability to manage its working capital requirements efficiently will remain a key monitorable. MFL's current ratio and quick ratio stood at 1.10x and 0.59x, respectively, as on March 31, 2025 (PY: 2.07x and 1.35x, respectively). Going forward, the company does not anticipate additional capital expenditure apart from routine maintenance requirements. There exists a contingency that may arise from the show cause notice, that an adverse outcome could negatively impact the company's liquidity position.

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
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	Other agricultural products

Established in 2013, MFL is a leading producer and supplier of wheat flour, organic wheat flour, and related products in India. MFL's processing plant features modern Bühler machinery with a daily capacity of 710 MT. The company is committed to maintaining high-quality standards through rigorous testing and continuous innovation. MFL emphasises the importance of delivering standardised food products to its clients and consumers and adheres to Good Manufacturing Practices (GMP) and Good Laboratory Practices (GLP).

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (UA)
Total operating income	254.06	350.12	386.51
PBILDT*	12.70	21.82	25.42
Profit after tax (PAT)	6.16	3.78	6.99
Overall gearing (x)	0.62	1.18	NA
Interest coverage (x)	2.98	1.90	2.60

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	FY28	61.29	CARE BBB- (RWN)
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	178.71	CARE BBB- / CARE A3 (RWN)
Fund-based/Non-fund-based-LT/ST	-	-	-	-	60.00	CARE BBB- / CARE A3 (RWN)

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/ ST-Working Capital Limits	LT/ST	178.71	CARE BBB- / CARE A3 (RWN)	-	1)CARE BBB-; Stable / CARE A3 (20-Mar-26) 2)CARE BBB-; Stable / CARE A3 (31-Dec-25)	1)CARE BB+; Stable / CARE A4+ (13-Dec-24)	-
2	Fund-based - LT-Term Loan	LT	61.29	CARE BBB- (RWN)	-	1)CARE BBB-; Stable (20-Mar-26) 2)CARE BBB-; Stable (31-Dec-25)	1)CARE BB+; Stable (13-Dec-24)	-
3	Fund-based/Non-fund-based-LT/ST	LT/ST	60.00	CARE BBB- / CARE A3 (RWN)	-	1)CARE BBB-; Stable / CARE A3 (20-Mar-26) 2)CARE BBB-; Stable / CARE A3 (31-Dec-25)	-	-

LT: Long 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	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple
3	Fund-based/Non-fund-based-LT/ST	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 FSRs, along with the names of respective FSRs, is being disclosed below:

Sr. No.	Facilities/Instruments Name	Regulator of the Instruments[2]
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
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), among others. 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 and 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.

[2]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority

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About us:

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