Avadh Sugar & Energy Limited

July 14, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Short-term bank facilities	RBI	100.00	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 Avadh Sugar & Energy Limited (ASEL). The rating 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 on need basis; and the company's long-standing track record of operating forward-integrated sugar mills, which enable diversified revenue streams. ASEL's efficient operations, with capacity enhancement in FY26 and consistent healthy recovery rates (average net recovery of 10.19% in last three financial years [FY] and 10.33% in FY26), has supported its credit risk profile. Interest coverage ratio of the company remains adequate in the range of 3x-4x over the past five years, though moderated in FY26 at 3.07x (3.22x in FY25) owing to industry-wide factors, such as low sugarcane availability and increase in sugarcane prices. CareEdge Ratings expects ASEL'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.

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

- Sustained 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 resulting in increased interest cost, with PBILDT interest cover below 3.50x on a sustained basis.

Analytical approach: Standalone

Ratings also factor in financial flexibility and enhanced 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, if required.

Outlook: Not applicable

[1]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
[2]Complete definitions of the ratings assigned are available at www.careratings.com and in 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

ASEL 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 manufacturing urea and trading complex fertilisers and pesticides. The group also operates sugar mills in Bihar through another group company, Magadh Sugar & Energy Ltd (MSEL). 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 of 56,300 TCD places it among the top five players in the Indian sugar industry. MSEL and ASEL have combined daily industrial ethanol capacity of 480 KLPD and co-gen capacity of 112 MW.

The association with the Nandini Nopany faction and being a part of the KK Birla group places the company in a comfortable position considering the financial flexibility available from promoters. Being one of the largest sugar producer of Uttar Pradesh, ASEL holds a significant importance in the group. Over the years, the group demonstrated continuous support to the erstwhile OSML and UGSIL and later on to MSEL, by infusing funds on timely basis through unsecured loan/inter-corporate deposits (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

ASEL's operations are integrated, with a presence across sugar manufacturing (34,800 TCD in FY26 across four plants including Hargaon, Seohara, Hata and Rosa, capacity enhanced from 31,800 during the year, with addition of 3,000 TCD in Hargaon plant), bagasse-based cogeneration power (74-MW installed capacity across Hargaon, Seohara, and Hata), and distillery operations (325 KLPD, with 200 KLPD at Hargaon, and 125 KLPD at Seohara plants), which safeguards the company to some extent from fluctuation in prices and seasonality.

In FY26, the sugar segment remained the primary revenue driver, contributing ~77% of total revenue (PY: 79%) and 57% earnings before interest and taxation (EBIT) (PY: 67%), the decline attributable to low cane availability and increasing cane costs, without corresponding increase in the realisations. The distillery segment accounted for ~16% revenue (PY: 15%) and 24% of EBIT (PY: 26%), attributable to increase in production in FY26. Co-generation contributed 7% revenue (PY: 6%) and 10% EBIT (PY: 6%) in FY26. 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

ASEL's operational performance has been impacted over last 2-3 years (with similar revenue in over last three years) owing to industry-wide factors such as red rot (particularly in UP), erratic monsoon, and regulatory constraints. For FY26, Revenue increased slightly by +2% y-o-y to reach ₹2,694 crore, impacted by decline in sugar sale by 5% y-o-y, although supported positively with higher sugar realisation and higher ethanol sale by 10% y-o-y. Lower cane availability and falling recoveries has put pressure on players across industry. For 2025-26 crushing season, the State Advisory Price (SAP) of sugarcane in Uttar Pradesh has been increased by ₹30 per quintal, raising the price to ₹400 per quintal for early-maturing varieties and ₹390 per quintal for general varieties, reflecting an over 8% rise compared to the previous season. Rising costs without equivalent rise in realisations and lower yield impacted the profitability, which fell from its peak in last five years at 12.25% in FY24 to 10.47% in FY25 and further to 8.44% in FY26. While gross recovery improved slightly from 10.8% in FY25 to 10.98% in FY26, crushing days shrunk from 214 days to 140 days, due to lower cane availability.

Share of distillery in profitability declined to 24% in FY26 from 42% in FY24 owing to increasing input costs, without corresponding increase in realisations. Going forward, improvement is anticipated in FY27, driven by improved operating conditions and favourable regulatory interventions towards government push on ethanol blending. CareEdge Ratings will continue to monitor the developments in terms of cane availability and recovery rates.

ASEL's financial risk profile is comfortable which is evident from low overall gearing ratio of 1.25 as on March 31, 2026 (March 31, 2025: 1.25x), which is expected go down as the inventory is liquidated. The total debt/ PBILDT as on March 31, 2026, stood at 6.19x (March 31, 2025: 4.97x). The increase was considering lower operating profits and slight increase in debt due to capex done during the year. Total outside liabilities to tangible net worth (TOL/ TNW) improved to 1.47x as on March 31, 2026, from 1.57x as on March 31, 2025.

Long-term debt to equity ratio is comfortable at 0.38x as 80% of the gross debt at end-March is in the form of short-term borrowings to fund the peak inventory, given the high seasonality in the business. Working capital borrowings have reduced from ₹975 crore as on March 31, 2026, to ₹710 crore as on May 31, 2026, and expected to reduce further in Q2, with selling off inventory. ASEL's credit metrics are expected to remain comfortable with firming up of sugar realisations and improvement in profitability in distillery segment and gradual reduction in debt from FY29 onwards with anticipated scheduled repayments. CareEdge Ratings also takes note of the expected reduction in interest costs with recent refinancing at reduced rates, which will further support its financial risk profile.

Key weaknesses

Cyclical and regulated sugar industry

The industry is cyclical and is vulnerable to government policies for reasons including 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 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. ASEL'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. The 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 in nature has high working capital requirements in the peak season, which is from November to April. The companies have high working capital requirements in the peak season to procure their primary raw material, sugarcane and manufacture sugar in this period. The average of fund-based working capital utilisation at monthly maximum level for the 12 months period ended March 31, 2026, stood at 70% against total fund-based sanctioned limit of ₹1130 crore leaving a sufficient buffer in form of unutilised limits to absorb fluctuation in demand and prices. Going forward, ASEL'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 ₹170-190 crore in FY27 and FY28 (₹134 crore in FY26) against the scheduled repayment obligations of ₹55 crore (excluding the proposed refinancing) and ₹77 crore in FY27 and FY28, respectively. Planned capex, in addition to the annual maintenance/ regular capex of ₹20-25 crore, in medium term is ₹90 crore (which is subject to board approval), is expected to be fund through a mix of internal accruals and term loan.

Sugar companies are required to clear the cane arrears within 14 days, whereas sugar inventory is sold throughout the year. ASEL's fund-based working capital limits of ₹1,130 crore remained moderate, with average of maximum fund-based utilisation at 70% over the 12 months ending March 2026, reflecting adequate buffer to meet seasonal or unforeseen requirements. The company had sugar inventory amounting to ~₹1211 crore (32.26 lakh quintals valued at ₹3754/quintals) as on March 31, 2026, against the working capital utilisation of ₹975 crore. The company cleared all of its cane dues in April 2026. Working capital utilisation as on May 31, 2026, stood at ₹710 crore. The seasonal sugar industry leads to elevated working capital requirements in the crushing season, peaking around March. Once the inventory is liquidated, the working capital intensity moderates.

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](#)
[Sugar Sector](#)
[Financial Ratios – Non financial Sector](#)
[Short Term Instruments](#)
[Notching by Factoring Linkages in Ratings](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Agricultural food & other products	Sugar

ASEL was incorporated on March 19, 2015, with the purpose of transferring sugar units in Uttar Pradesh (UP) of Oudh Sugar Mills Limited (OSML) and Upper Ganges Sugar & Industries Limited (UGSIL) to a separate entity. UGSIL and 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 Seohara, UP, of UGSIL and business undertakings at Hargaon, Hata, and Rosa, UP of OSML have been transferred to ASEL at their respective fair values on a going concern basis (appointed date April 1, 2015).

ASEL is primarily engaged in manufacturing and selling sugar and its by-products (molasses and bagasse), spirits, including ethanol and co-generated power in UP. ASEL is currently operating four sugar mills with an aggregate crushing capacity of 34,800 TCD, co-generation power plants of 74 MW and distillery units of 325 KLPD.

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)
Total operating income	2,635.59	2,693.52
PBILDT*	276.05	227.31
Profit after tax (PAT)	87.94	57.31
Overall gearing (x)	1.25	1.25
Interest coverage (x)	3.22	3.07

A: Audited; UA: Unaudited; 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-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - ST-Working Capital Limits	RBI	Simple	-		-	-	100.00	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 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 - ST-Working Capital Limits	ST	100.00	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: Lender details

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

Annexure-5: 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:

Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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