Magadh Sugar & Energy Limited

July 07, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	826.00	CARE A+; Stable	Reaffirmed
Short-term bank facilities	2.00	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

The list of facilities / instruments falling under the purview of various financial sector regulators (FSRs), along with the names of respective FSRs has been disclosed under Annexure-7.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has reaffirmed ratings assigned to bank facilities of Magadh Sugar & Energy Limited (MSEL) at 'CARE A+ Stable/ CARE A1'. Ratings continue to derive 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 longstanding track record of operating forward-integrated sugar mills, which enable diversified revenue streams, with strong position in Bihar. MSEL's efficient operations, with consistent capacity enhancement and healthy recovery rates (average net recovery rate of 10.27% in the last three years, as the recovery improved significantly in FY26 after slight moderation in FY25), support its credit risk profile. CareEdge Ratings expects MSEL's credit metrics to remain satisfactory and well-aided by improved operating conditions amidst regulatory support with government thrust on ethanol blending and reduction in debt levels, despite some moderation in FY25 and FY26 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 resulting in increased interest cost, with PBILDT interest cover below 3.50x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

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.

[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 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 manufacturing urea and trading complex fertilisers, and pesticides. The group also operates sugar mills in Uttar Pradesh through MSEL and 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 in the Indian sugar industry. MSEL and ASEL have combined daily industrial ethanol capacity of 480 KLPD and co-generation 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 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/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

MSEL's operations are integrated, with a presence across sugar manufacturing (21,500 TCD in FY26 across three plants including Narkatiaganj, Sidhwalia, and Hasanpur), bagasse-based cogeneration power (38 MW installed capacity across three plants), and distillery operations (155 KLPD, with 75 KLPD in Sidhwalia and 80 KLPD in Narkatiaganj), which safeguards the company to some extent from fluctuation in prices and seasonality.

In FY26, the sugar segment remained the primary revenue driver, contributing ~75% of total revenue (PY: 76%) and 62% earnings before interest and taxation (EBIT) (PY: 58%). The distillery segment accounted for ~20% revenue (PY: 19%) and 25% of EBIT (PY: 31%), with margin contraction largely attributable to industry wide factors, lower grain-based ethanol profitability, higher cane costs leading to increased transfer pricing and static ethanol selling prices. All three segments, sugar, distillery, and co-generation; 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

The company's revenue after achieving a compounded annual growth rate (CAGR) (FY22-FY25) of ~7.5% p.a., declined by 6% y-o-y to ₹1,245 crore in FY26, due to various industry-wide head winds, such as red rot, erratic monsoon, lower cane availability, which also impacted the other players. Rising costs without equivalent rise in realisations and lower yield impacted the profitability, which fell from 14.34% in FY25 to 11.82% in FY26. In absolute terms, PBILDT stood at ₹147 crore in FY26 against ₹186 crore in FY25. Lower cane availability and falling recoveries has pressurised players across industry. For 2025-26 crushing season, the State Advisory Price (SAP) of sugarcane in Bihar was increased by ₹20 per quintal, raising the price to ₹380 per quintal for super grade and ₹360 per quintal for general grade, reflecting over 6% rise compared to the previous season. In addition, farmers in Bihar shifted to maize as it offered better realisations. While gross recovery improved 15 bps from 10.79% in FY25 to 10.94% in FY26, crushing days shrunk from 127 days to 103 days. Though increase in realisations and better recoveries provides some cushion, the same along with lower sugar production (overall cane crushing remains lower by 7% due to lower yield in FY26) impacted the profitability levels. Going forward, recovery 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 improvement in recovery rates.

MSEL has comfortable financial risk profile, which is evident from low overall gearing ratio of 0.79x as on March 31, 2026 (March 31, 2025: 0.85x). Debt coverage indicators also remained healthy with interest cover at 4.14x in FY26 (FY25: 4.87x), total debt/PBILDT at 4.7x for FY25 (FY24: 3.8x). The increase was considering lower profitability during the year, despite slight decline in overall debt. While the term loan increased for carrying out the capex, working capital borrowings declined with prudent working capital management. Total outside liabilities to tangible net worth (TOL/ TNW) improved to 0.86x as on March 31, 2026 from

1.00x as on March 31, 2025. MSEL's credit metrics are expected to remain comfortable with stable debt levels despite planned capex in FY27 for enhancing refinery operations and installation of distillery boilers, aided by continued firming of sugar realisations and improvement in profitability in distillery segment. 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. 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. 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 fund-based working capital utilisation at maximum level for the 12 months period ended March 31, 2026, stood at 71% against total fund-based sanctioned limit of ₹750 crore leaving a sufficient buffer in form of unutilised limits to absorb fluctuation in demand and prices. 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 is adequate marked by accruals of ₹97 crore in FY26 (₹143 crore in FY25) and expectations of over ₹100 crore in FY27 against which the company has repayment obligations of ₹56 crore. Capex for FY27 is estimated at ₹105 crore, of which ₹75 crore shall be met from bank borrowings and balance from internal accruals.

Sugar companies have high working capital utilisation from and November to April because they are required to clear the cane arrears within 14 days, whereas sugar inventory is sold throughout the year. As such, the cash and cash equivalents balance as on March 31, 2025, was ₹0.31 crore with additional ~₹0.63 crore in deposits maturing within twelve months. The company also has sanctioned fund-based limits of ₹750 crore and the average of monthly maximum utilisation for the year was ~71%, with utilisation as on March 31, 2026, at ₹420 crore, thus providing sufficient buffer. Working capital utilisation as on May 31, 2026, stood at ₹260 crores. The company had sugar inventory amounting to ~₹516 crore as on March 31, 2026 (13.78 lakh quintals valued at ₹3,745/ quintal), which when realised would ease the liquidity profile of the company.

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

MSEL was incorporated as a subsidiary of UGSIL on March 19, 2015. 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 Sidhwalia and Hasanpur, Bihar of UGSIL have been demerged to MSEL at book value from appointed date April 1, 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 1, 2015. MSEL is primarily engaged in manufacturing and selling 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, co-generation power plants of 38 MW, and distillery units of 155 KLPD.

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)
Total operating income	1,297.50	1,244.54
PBILDT*	186.06	147.09
Profit after tax (PAT)	109.45	63.51
Overall gearing (x)	0.85	0.79
Interest coverage (x)	4.87	4.14

A: Audited; 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	610.00	CARE A+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	2.00	CARE A1
Term Loan-Long Term		-	-	September 30, 2031	216.00	CARE A+; Stable

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	Non-fund-based - ST-Bank Guarantee	ST	2.00	CARE A1	-	1)CARE A1 (22-Aug-25) 2)CARE A1 (18-Aug-25)	-	-
2	Term Loan-Long Term	LT	216.00	CARE A+; Stable	-	1)CARE A+; Stable (22-Aug-25)	-	-
3	Fund-based - LT-Cash Credit	LT	610.00	CARE A+; Stable	-	1)CARE A+; Stable (22-Aug-25)	-	-

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	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated Not applicable

Annexure-7: 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 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 rating notes subsequent to issuance(s), CareEdge Ratings Limited 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 in 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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