

November 10, 2025

M G Petrochem Private 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-1	123.43	97.87	[ICRA]A(CE) (Stable); reaffirmed
Long-term – Fund-based – Term loan-2	6.91	5.50	[ICRA]BBB (Stable); reaffirmed
Long-term – Fund-based – Cash credit-1	20.00	20.00	[ICRA]BBB (Stable); reaffirmed
Long-term – Fund-based – Cash credit-2	30.00	30.00	[ICRA]A (CE) (Stable); reaffirmed
Long-term – Non-fund based – Bank guarantee	20.00	20.00	[ICRA]A(CE) (Stable); reaffirmed
Long-term – Non-fund based-others	0.00	25.00	[ICRA]BBB (Stable); reaffirmed
Long-term – Unallocated	4.66	0.00	-
Total	205.00	198.37	

Rating Without Explicit Credit Enhancement

[ICRA]BBB

*Instrument details are provided in Annexure-I

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

Rationale

For the [ICRA]A(CE)(Stable) rating

ICRA has reaffirmed the rating of [ICRA]A(CE) (Stable) to the term loan (Rs. 97.87 crore), cash credit (Rs. 30.00 crore) and bank guarantee (Rs. 20.00 crore) facilities of M G Petrochem Private Limited (MGPPPL) based on the strength of the corporate guarantee provided by M.G. Contractors Pvt. Ltd. (MGCPL, rated [ICRA]A(Stable)), the parent of MGPPPL. The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor – MGCPL.

Adequacy of credit enhancement

The guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument and has a well-defined invocation and payment mechanism. Given these attributes, the guarantee provided by MGCPL is adequately strong to result in an enhancement in the rating of the said instruments to [ICRA]A(CE) against the rating of [ICRA]BBB without explicit credit enhancement. If the rating of the guarantor or the Unsupported Rating of MGPPPL were to undergo a change in the future, the same would have a bearing on the rating of the aforesaid facility. The rating of this instrument may undergo a change in a scenario, whereby in ICRA's assessment there is a change in the strength of the business linkages between the guarantor and the rated entity, or there is a change in the reputation sensitivity of the guarantor to a default by the rated entity, or there is a change in the strategic importance of the rated entity for the guarantor.

Salient covenants of the rated facility

- Minimum debt service coverage ratio (DSCR) should be at least 1.3 times.
- Ratio of total outside liabilities (TOL)/Adjusted tangible net worth (ATNW) to be less or equal to 4 times.

- Current ratio more than or equals 1.1 times.

For the [ICRA]BBB rating

The rating reaffirmation for MGPPL takes comfort from the healthy financial profile of its sponsor – MGCPL, and the steady ramp-up in operations of its plant (since commencement in July 2023), favourable demand outlook for ethanol in India and the revenue visibility from 10-year offtake agreements with the public sector oil marketing companies (OMCs). Further, MGPPL's plant is strategically located in Panchkula District of Haryana in the vicinity of various rice producers, the key raw material for manufacturing ethanol, providing logistic convenience.

The company recorded a 77% year-on-year revenue growth, reaching Rs. 582 crore in FY2025. Although there is an agreement with the Food Corporation of India (FCI, rated [ICRA]AAA(CE)) for the supply of rice and broken rice, MGPPL had to procure these from the open market during FY2024-FY2025 due to a Government ban on FCI's rice supply (July 2023 – August 2024). This situation adversely affected profitability margins in FY2024 (6.6%) and FY2025 (5.5%), despite partial cost pass-through to OMCs via increased ethanol prices. In YTD FY2026, however, MGPPL secured partial rice supplies from FCI, resulting in improved profitability margins of 11-12% (as per provisional financials for 5m FY2026). Despite robust revenue growth, the company successfully reduced its debt on a year-on-year basis, partly attributable to lower working capital borrowings (~Rs. 49 crore as on March 31, 2025, versus ~Rs. 73 crore as on March 31, 2024), supported by improved raw material availability (following the resumption of FCI's surplus rice supplies) and inventory rationalisation. These factors contributed to positive cash flows from operations. In the near term, around 40% of total raw material requirements are expected to be met through FCI rice supplies, which should lead to a notable improvement in operating margins (10-12%), even as anticipated revenue growth moderates to 2-3%. Given the sizeable repayment obligations (Rs. 24 crore per annum in FY2026-FY2027) and planned capital expenditure (~Rs. 25 crore) in FY2026, timely financial support from the sponsor will be critical in the event of any financial exigency. Over the medium term, enhancements in plant capacity (from 215 KLPD to 300 KLPD), ongoing ramp-up and stabilisation of operations, and the inflow of fiscal benefits (such as interest subventions) are expected to further support MGPPL's revenue growth and profitability.

MGPPL remains exposed to regulatory risks associated with the ethanol business, given that its price is fixed annually by the OMCs even as the prices of raw material and fuel change in line with the market demand and supply position. The company's profitability remains vulnerable to fluctuations in the prices of broken rice and maize, which have been quite volatile in the recent past and, thus, will remain a key monitorable for its healthy operations.

The Stable outlook on the [ICRA]BBB rating reflects ICRA's expectation of healthy ramp-up in the company's revenues and improvement in operating margins in the medium term, which will support its debt coverage metrics, coupled with expectation of timely support from the sponsor in case of any cash flow mismatches.

Key rating drivers and their description

Credit strengths

Corporate guarantee from MGCPL – MGPPL is a 100% subsidiary of MGCPL, which has a strong project execution track record and financial profile, providing comfort for meeting the any funding support requirements. Further, it has provided a corporate guarantee for the entire credit facilities availed by MGPPL (~Rs. 198 crore), out of which certain bank facilities (aggregating ~Rs. 50 crore) are backed by guarantee with a well-defined invocation and payment mechanism.

Minimum offtake agreement with OMCs provides stability to revenues – MGPPL commenced operations from July 2023 and ramped-up its operations, posting revenues of ~Rs. 582 crore in FY2025 and ~Rs. 215 crore in 5M FY2026. The company has an agreement with FCI for supply of rice/broken rice, which is the major raw material for manufacturing ethanol at subsidised rate. It has also entered a long-term offtake agreement with OMCs for a period of ten years for procurement of 4.29 crore litre p.a. of ethanol (i.e., 61.3% of current installed capacity) produced by the company, providing adequate revenue visibility, and limiting the marketing risk. As it is a dedicated ethanol plant for supply to OMCs, additional production over and above the

guaranteed offtake quantity is also eligible to be supplied to OMCs. Going forward, the company is undertaking expansion in capacity to 300 KLPD (from 215 KLPD currently). The ramp-up and stabilisation of the same is expected to support MGPPL's revenue growth.

Healthy demand for ethanol and eligibility for incentives likely to support cash flows – The long-term demand prospects for ethanol and biofuel remains favourable, supported by a substantial demand-supply gap and the Government's strategic efforts to reduce reliance on crude oil imports. In line with the Central Government's objective to achieve a 30% ethanol blending target by CY2030, medium-term demand for ethanol is projected to stay robust. Further, the Government is implementing various measures to advance indigenous ethanol production, including capacity enhancement initiatives and an interest subvention scheme. MGPPL qualifies for a 50% interest subsidy (up to 6% per annum) for five years on actual interest paid for its term loan used to establish an ethanol plant, which should provide steady support to its cash flows.

Credit challenges

High asset concentration; limited track record of operations – MGPPL operates its sole unit at Panchkula (Haryana). Its presence in a single location exposes the company to any force majeure event, which could impact the asset. At present, it is operating at optimum capacity levels and plans to enhance its capacity to 300 KLPD in the near term, using internal accruals and need-based promoter funding support. Being in the nascent stages (plant operational since Jul 2023 only) with high capital-intensive nature of operations, the financial risk profile remains modest with low net worth (Rs. 44.6 crore), and significant dependence on external borrowings of Rs. 165 crore as on March 31, 2025 (excluding loans from MGCPL and directors aggregating ~Rs. 79 crore). The company's ability to maintain healthy capacity utilisation and improve its liquidity and coverage metrics will be important for its credit perspective.

Exposed to regulatory risks – MGPPL's operations are vulnerable to the Government's policies and schemes such as interest subvention, ethanol pricing and offtake, raw material availability and its pricing, etc. Hence, cessation of such schemes or any material decrease in ethanol pricing could adversely impact the company's financials. Nonetheless, the Central Government's ethanol blending target of 30% by CY2030 has created strong demand impetus and supports the financial performance of the distillery units – like MGPPL – for manufacturing ethanol.

Susceptibility of profitability to agro-climatic risks and price of fossil fuels – The raw materials used by MGPPL are rice and maize, which are agro-commodities. The price of rice is prone to significant fluctuations as its availability depends on monsoon. Additionally, the ban of supply of rice by FCI (July 2023- August 2024) for manufacturing ethanol impacted the overall market price, thereby impacting grain-based distillery producers' profitability in FY2024-FY2025. However, with FCI surplus rice hitting the markets, prices have rationalised and margin pressures for ethanol producers are expected to ease in the near term (with ~ 40% raw material requirement getting fulfilled by FCI). In addition, power and fuel costs constitute a sizeable portion of the cost structure, making the profitability susceptible to any increase in the cost of fuels used for power generation.

Liquidity position

Liquidity position of the guarantee provider (MGCPL): Adequate.

MGCPL's liquidity is expected to remain adequate, given the expectation of healthy cash flow from operations, supported by a steady working capital cycle, free cash balances (~Rs. 10 crore) and buffer of ~Rs. 16 crore in its fund-based working capital limits as on August 31, 2025 (the average utilisation was ~80% in 12 months that ended in August 2025). It had unutilised BG lines of ~Rs. 395 crore as on August 31, 2025, which could be utilised to avail mobilisation advances and/or release retention money against its existing order book. Incremental margin money requirement for BGs reduced to an extent with availment of surety bonds. Additionally, MGCPL has outstanding unsecured loans of ~Rs. 96 crore (above the 100% equity commitment as on July 31, 2025) to its subsidiary M G Banshidhar Private Limited undertaking a road HAM project, which can be upstreamed (via drawdown of project debt) providing additional liquidity buffer. Against these sources, the company has debt repayment obligations of ~Rs. 11 crore and planned capex of ~Rs. 100 crore in FY2026-FY2027. The estimated cash flows from operations and available liquidity are likely to be sufficient for meeting its financial obligations.

For the rating without explicit credit enhancement (for the entity): Stretched

The cash flows from operations are expected to tightly match the debt repayment (Rs. 24 crore) and capex obligation (Rs. 25-30 crore) in FY2026, with limited cushion in working capital limits. Timely financial support from the sponsor group will remain crucial to tide over any cash flow mismatches.

Rating sensitivities

For the credit enhanced (CE) rating

Positive factors – The ratings may be upgraded if the company demonstrates a favourable track record of operations, with sustained improvement in scale and profitability, leading to an improvement in debt coverage indicators and liquidity profile and there is an improvement in the credit profile of the guarantor.

Negative factors – Negative pressure on the ratings could arise on account of significantly low capacity utilisation and profitability on a sustained basis, or any large debt-funded capex leading to deterioration of the debt coverage metrics. The ratings could come under pressure if there is a deterioration in the credit profile of its guarantor, or if there are weakening of linkages with its parent.

For the non-credit enhanced (non-CE) rating

Positive factors – The ratings may be upgraded if the company demonstrates a favourable track record of operations, with sustained improvement in scale and profitability, leading to improvement in debt coverage indicators and liquidity profile. The ratings may be upgraded if there is an improvement in the credit profile of its parent.

Negative factors – Negative pressure on the ratings could arise on account of significantly low capacity utilisation and profitability, on a sustained basis, or any large debt-funded capex, leading to deterioration of the debt coverage metrics. The rating could come under pressure if there is a deterioration in the credit profile of its parent, or if there are weakening of the linkages with its parent.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent/ Guarantor: MG Contractors Private Limited (MGCPPL) The CE rating is based on the unconditional, irrevocable corporate guarantee extended by MGPPPL's parent company, MGCPPL.ICRA expects that MGCPPL to be willing to extend financial support to MGPPPL, as and when required. Also, there exists a consistent track record of MGCPPL extending timely financial support to MGPPPL, whenever a need has arisen.
Consolidation/Standalone	Standalone

About the company

MG Petrochem Private Limited (MGPPPL), incorporated in February 2021 is a 100% subsidiary of the Panchkula-based construction company – M.G. Contractors Pvt Ltd. (MGCPPL). It was formed to set up a new grain-based distillery for manufacturing ethanol with installed capacity of 215 kilo litres per day (KLPD) mainly using broken rice and maize as the basic raw material. In addition to ethanol, the unit produces animal feed and carbon dioxide as by-products. The project is located at Village Firozpur, Tehsil Raipur Rani, Distt. Panchkula, Haryana on a land measuring 24 acres approx. The plant started the production of ethanol on July 05, 2023.

Key financial indicators

Standalone	FY2024	FY2025
Operating income (Rs. crore)	328.7	581.6
PAT (Rs. crore)	3.4	9.1
OPBDIT/OI (%)	6.6%	5.5%
PAT/OI (%)	1.0%	1.6%
Total outside liabilities/Tangible net worth (times)	8.7	6.6
Total debt/OPBDIT (times)	12.5	7.6
Interest coverage (times)	2.1	2.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; 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

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	FY2026		FY2025		FY2024		FY2023	
		Amount rated (Rs crore)	Nov 10, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based-Cash credit	Long Term	20.00	[ICRA]BBB (Stable)	Oct 07, 2024	[ICRA]BBB (Stable)	Aug 11, 2023	[ICRA]BBB (Stable)	Jul 25, 2022	[ICRA]A(CE) (Stable)
						Jan 12, 2024	[ICRA]BBB (Stable)	Jan 17, 2023	[ICRA]BBB (Stable)
Fund-based-Cash credit	Long Term	30.00	[ICRA]A(CE) (Stable)	Oct 07, 2024	[ICRA]A(CE) (Stable)	Aug 11, 2023	[ICRA]BBB (Stable)	Jul 25, 2022	[ICRA]A(CE) (Stable)
						Jan 12, 2024	[ICRA]A(CE) (Stable)	Jan 17, 2023	[ICRA]BBB (Stable)
Non-fund based-Others	Long Term	20.00	[ICRA]A(CE) (Stable)	Oct 07, 2024	[ICRA]A(CE) (Stable)	-	-	-	-
Fund-based-Term loan	Long Term	5.50	[ICRA]BBB (Stable)	Oct 07, 2024	[ICRA]BBB (Stable)	-	-	-	-
						Jan 12, 2024	[ICRA]BBB (Stable)	-	-
Fund-based-Term loan	Long Term	97.87	[ICRA]A(CE) (Stable)	Oct 07, 2024	[ICRA]A(CE) (Stable)	Aug 11, 2023	[ICRA]A(CE) (Stable)	Jul 25, 2022	[ICRA]A(CE) (Stable)
						Jan 12, 2024	[ICRA]A(CE) (Stable)	Jan 17, 2023	[ICRA]A(CE) (Stable)
Unallocated	Long Term	-	-	Oct 07, 2024	[ICRA]BBB (Stable)	-	-	-	-
Non-fund based-Others	Long Term	25.00	[ICRA]BBB (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Cash credit	Simple
Long-term – Non-fund based – Bank guarantee	Very Simple
Long-term – Non-fund based – Others	Very 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
-	Term loan	FY2022/23	NA	FY2030/31	97.87	[ICRA]A(CE) (Stable)
-	Term loan	FY2023	NA	FY2031	5.50	[ICRA]BBB (Stable)
-	Cash credit	NA	NA	NA	20.00	[ICRA]BBB (Stable)
-	Cash credit	NA	NA	NA	30.00	[ICRA]A(CE) (Stable)
-	Bank guarantee	NA	NA	NA	20.00	[ICRA]A(CE) (Stable)
-	Non-fund based – Others	NA	NA	NA	25.00	[ICRA]BBB (Stable)

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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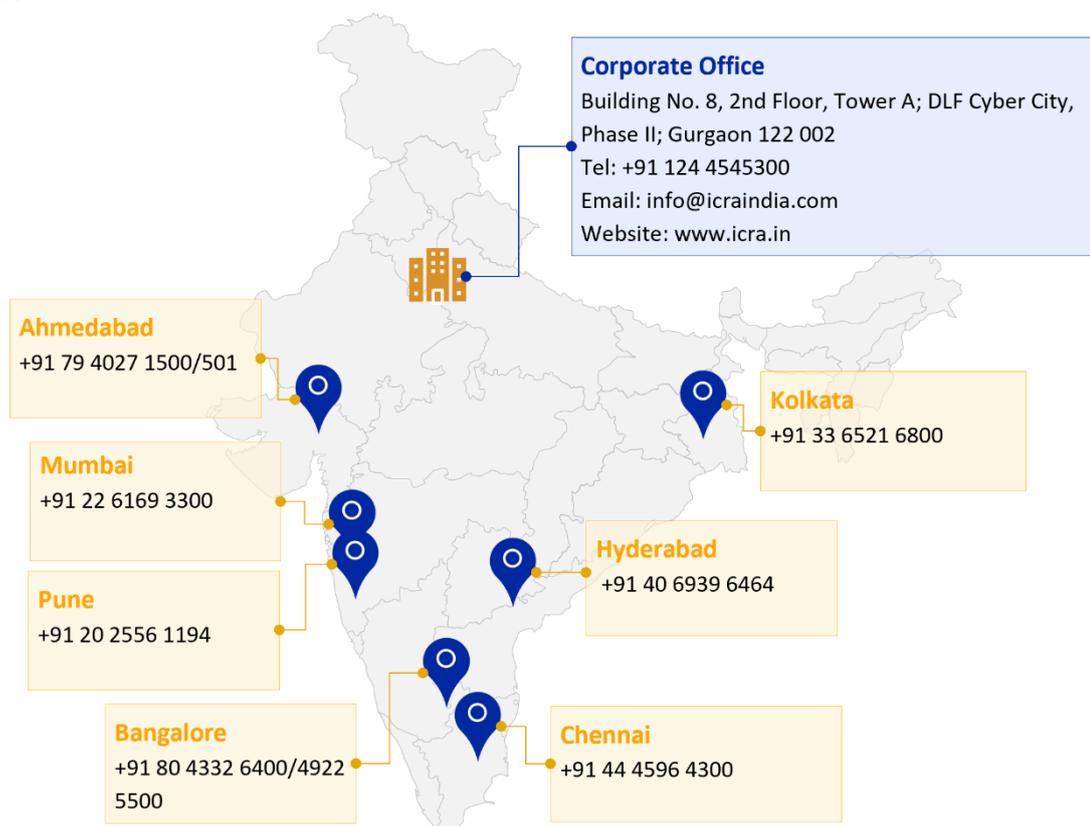
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