



Press Release

Visag Biofuels Private Limited (VBPL)

March 06th, 2024

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating Assigned	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	150.63 (Enhanced from Rs. 124.54 Cr)	IVR BBB-/ Stable (IVR Triple B Minus with stable outlook)	Reaffirmed	Simple
2.	Short Term Bank Facilities	10.00	IVR A3 (IVR A Three)	Assigned	Simple
	Total	160.63	(Rupees One Hundred Sixty Crores and Sixty-Three Lakh Only)		

Details of facilities are in Annexure 1

Rating Rationale

Infomerics Ratings and Valuation Private Limited (IVR) has reaffirmed the long-term rating of IVR BBB- with a Stable outlook for the bank loan facilities of Visag Biofuels Private Limited (VBPL). IVR has also assigned rating of IVR BBB- with stable outlook for the long term enhanced facilities and IVR A3 for the fresh short term bank facilities of VBPL.

The rating continues to draw comfort from the experienced promoter group with long track record of operations, locational advantage, availability of long-term offtake agreement with Government body ensuring revenue visibility and relatively lower counterparty credit risks and policy initiatives by the Government. The ratings have also taken into consideration the commissioning of the plant with no major cost overrun in August 2023. However, these strengths are partially offset by susceptibility of operating margin to volatile raw material prices, exposure to Government regulations, any termination of offtake agreement and risk related to stabilisation of operations.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term.



Press Release

IVR has principally relied on the standalone audited financial results of VBPL upto 31 March 2023, 9MFY24 results and projected financials for FY24, FY25 and FY26, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward factors

- Significant improvement in the scale of operations with improvement in gross cash accruals
- Improvement in capital structure with reduction in overall gearing to comfortable level.
- Improvement in profitability metrics.

Downward Factors

- Risk related to stabilisation of operations.
- Deterioration in overall gearing.

Detailed Description of Key Rating Drivers

A. Key Rating Strengths

Experienced promoter group with long track record of operations

VBPL was incorporated in 2021 in Balaghat district of Madhya Pradesh to set up ethanol plant with capacity of 130 KLPD. VBPL entered in production of biofuels such as ethanol & it's by-product such as CO₂, CNG etc. However, plant got commissioned in August 2023. The company is managed by the promoters Mr. Sandeep Shrivastav (Director) and Mr. Gyanendra Singh (Director) who are well experienced and have more than two decades of experience.

Locational advantage

The manufacturing facilities of VBPL is in in Balaghat District of Madhya Pradesh. The unit is surrounded by number of rice mills, sugarcane and other foods grains growing areas which provides easy availability of Grains to run a grain-based distillery. Accordingly, proximity to the source of raw materials & end user market provides a competitive edge. This apart, the area is well connected by road and rail.



Press Release

Availability of long-term offtake agreement with Government body ensures revenue visibility and relatively lower counterparty credit risks

100% of the installed capacity of the project has been tied up with OMCs (IOCL, BPCL & HPCL together) by an Offtake agreement signed on January 03, 2022. The OMCs will offtake 10.23 crore Litre of ethanol per annum for 10 years after commencement of operation. The payment will be through escrow account as proposed and the payment generally will be made within 21 days from supply of ethanol. This apart, the company is entitled to avail various incentive from State and Central Government to implement Ethanol distilleries project.

Policy initiatives by the Government

In January 2013, the Union government launched the Ethanol Blended Petrol (EBP) programme, which made it mandatory for oil companies to raise ethanol blending in petrol to 25% by 2025 from the current ~5%. In lieu of the above developments and also given that the government currently does not allow import of ethanol for fuel blending, the outlook appears bright for this industry.

B. Key Rating Weaknesses:

Susceptibility of operating margin to volatile raw material prices

The key raw material for ethanol manufacturing is rice grain, maize, sugarcane, corn etc. Availability and prices both are volatile in nature due to presence of agro-climatic risk and cyclicity in the industry.

Exposure to government regulations and termination of offtake agreement

Ethanol production and demand from OMC's are highly dependent on government regulations. This apart, as per the offtake agreement with OMCs, the principle can terminate its agreement by 30 days' notice if the supplier (ADPL) fails to supply in time or operate the business and any adverse changes in current law/directives comes from Government.

Risk related to stabilisation of operations.

VBPL started a manufacturing facility of grain-based distillery of 130 KLPD capacity to produce Bioethanol under the Ethanol Blending Program scheme launched by GOI and 2.50 MW power plant for captive use with actual project cost of Rs. 139.44 crore which was financed by equity of Rs. 14.69 crore and term loan of Rs. 124.75 crore. The plant is in operation since



Press Release

April 2023. Though the production has commenced but project stabilisation risk remains for near future.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning Rating Outlook](#)

Liquidity: Adequate

The liquidity is expected to remain adequate marked by gross cash accrual in the range of ~Rs. 26-44 crore during FY24-26 and which would be sufficient to meet its debt repayment obligations in the range of Rs. 9-16 crore during FY24-26. The liquidity position also remains comfortable with adequate cushion in the form of unutilized bank limits.

About the Company

VBPL was incorporated in 2021 in Balaghat district of Madhya Pradesh to set up ethanol plant with capacity of 130 KLPD Ethanol Plant based on grains for producing fuel ethanol from feedstock like Broken Rice (Kinky), Maize (corn), Bajra, Jowar, etc. However, plant got commissioned in August 2023 and started the production of biofuels such as ethanol & it's by-product such as CO₂, CNG etc.

Financials (Standalone): -

(In Rs. Crore)

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	0.00	0.00
EBITDA	0.00	0.00
PAT	0.00	0.00



Press Release

Total Debt	0.01	111.21
Tangible Net Worth	8.11	17.83
EBITDA Margin (%)	NM	NM
PAT Margin (%)	NM	NM
Overall Gearing Ratio (x)	0.00	6.24

**Classification as per Infomerics' standards (NM= Not Meaningful)*

Details of non-co-operation with any other CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Name of the Facility/ Instrument	Current Rating (Year: 2023-24)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating as on 04.03.2024	Date(s) & Rating(s) assigned in 2022-23 (February 06, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2020-21
Fund based limits	Long Term	150.63	IVR BBB-/ Stable (Reaffirmed)	IVR BBB-/ Stable (Assigned)	-	-
Non-Fund based Limits	Short term	10.00	IVR A3 (Assigned)	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration



Press Release

from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	25.00	IVR BBB-/ Stable
Term Loan	-	-	-	125.63	IVR BBB-/ Stable
Bank Guarantee	-	-	-	10.00	IVR A3



Press Release

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/Len-VBPL-06032024.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com .