Crystal Balaji Industries Private Limited

July 03, 2024

Ratings

Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-term Bank Facilities	229.53	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	-	Assigned	Simple
Total	**229.53 (Rs. Two Hundred Twenty-nine crore and Fifty-three lakh only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Crystal Balaji Industries Private Limited (CBIPL) derives comfort from its experienced promoter, locational advantage, availability of long-term offtake agreement with Government body ensures revenue visibility and relatively lower counterparty credit risks and policy initiatives by the Government. These rating strengths continues to remain partially offset by its nascent stage of operation, susceptibility of operating margin to volatile raw material prices, exposure to government regulations and termination of offtake agreement and significant dependence on debt in capital structure resulting in moderate financial risk profile.

Rating Sensitivities

Upward factors

- Achievability of projected scale of operation on a sustain basis with projected margins.
- Growth in cash accrual
- Effective management of its working capital

Downward Factors

- Underachievement of projected revenue and operating margin on a sustained basis
- Moderation in the capital structure
- Deterioration in debt protection metrics and Total debt/GCA.
- Any unplanned capex leading to deterioration in the capital structure and / or moderation in debt protection metrics with moderation in interest coverage ratio to below 1.5x.

Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Experienced promoter**

The directors are widely experienced in the respective industries. Mr. Karan Swarup is at the helm of affairs of the company with support from other directors and a team of experienced professionals. The promoters of CBIPL have extensive entrepreneurial and technical experience. The promoters have some other businesses which includes manufacturing of paper, TMT bar. They have been engaged with this activity since long time.

- **Locational advantage**

The manufacturing facilities of CBIPL will be at Muzaffarnagar district in Uttar Pradesh. The unit is surrounded by number of rice mills, FCI godowns, 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.

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

About 65% of the proposed installed capacity of the project has been tied up with Government OMCs (IOCL, BPCL & HPCL together) by an Offtake agreement signed on January 11, 2022, The OMCs will offtake 4.29 crore Litre of ethanol per annum for 10 years after commencement of operation. 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.

Key Rating Weaknesses

- **Nascent stage of operation**

The company has just completed a greenfield project to manufacture grain-based Bioethanol along with a 4MW captive power plant at a project cost of ~Rs.211 crore in Muzaffarnagar, Uttar Pradesh. The commercial production has started from January 2024 and offtake by OMCs has started from May 2024, thus currently having very nascent stage of operation. As all the capex needs a cooling down period during initial stage of operation due to technicality and regular availability of manpower and raw materials, which may stretch upto one year, can further leads to affect regular production, resulted in project stabilisation risk.

- **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 cyclicality 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 (CBIPL) fails to supply in time or operate the business and any adverse changes in current law/directives comes from Government.

- **Significant dependence on debt in capital structure resulting in moderate financial risk profile**

Of the total estimated project cost, Rs. 173.00 crore is funded through debt, keeping the dependence on borrowings very high. The company's ability to achieve healthy capacity utilisation and generate healthy cash accruals will be important for the timely debt servicing. However, interest subvention on the project loan aids its viability to some extent. Further, a moratorium period of over two years (including six months post commissioning of the plant) and the long repayment tenure of seven years point to adequate cash flows from operations for debt servicing.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity: Adequate

CBIPL has earned a gross cash accrual of Rs. 1.91 crore in FY24 (refers to period April 1st, 2023, to Mar 31, 2024) provisional. The company is expected to earn a gross cash accrual in the range of ~Rs. 57.21-67.13 crore as against its debt repayment obligations in the range of ~Rs.20.28 to 25.32 crore per year during FY25-27. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term.

About the Company

Crystal Balaji Industries Private Limited (CBIPL) was incorporated in September, 2020 at Muzaffarnagar district in Uttar Pradesh by a group of promoters, to initiate a manufacturing facility of alcohol-based products. Since inception, the company has planned to install a grain-based distillery to produce Bioethanol under the Ethanol Blending Program scheme launched by GOI. Currently, CBIPL is elected by GOI for Ethanol Blending Program scheme and the company has entered into a Long-Term Offtake Agreement with OMCs. In this regard, the company had floated a greenfield project to setup a manufacturing unit at Muzaffarnagar district in Uttar Pradesh. The project has completed, and commercial production has started from January 2024 with an installed capacity of 200 KLPD and 4MW captive power plant.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	0.00	6.69
EBITDA	0.00	6.69#
PAT	-6.64	0.34
Total Debt	124.55	209.45
Tangible Net worth	18.00	22.94
EBITDA Margin (%)	NM	90.80
PAT Margin (%)	NM	5.00
Overall Gearing Ratio (x)	6.92	9.13
Interest Coverage (x)	-0.62	1.43

*Classification as per Infomerics' standards; #after stock adjustment

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan	Long Term	164.53	IVR BB+/ Stable	-	-	-
2.	Cash Credit	Long Term	65.00	IVR BB+/ Stable	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Sanmoy Lahiri Tel: (033)- 46022266 Email: slahiri@infomerics.com	Name: Sandeep Khaitan Tel: (033)- 46022266 Email: sandeep.khaitan@infomerics.com

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 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.

For more information visit www.infomerics.com

Annexure 1: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	Mar 2031	164.53	IVR BB+/ Stable
Cash Credit	-	-	-	65.00	IVR BB+/ Stable

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-Crystal-Balaji-july24.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/combined analysis: 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.