



## Press Release

### Kripa Biotech LLP

March 29, 2024

#### Ratings

Instrument/ Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facility	91.50	IVR BB/ Stable (IVR Double B with Stable Outlook)	Assigned	Simple
Total	91.50 (Rs. Ninety-one crore and Fifty lakh only)			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facility of Kripa Biotech LLP (KBL) derives comfort from its experienced promoter, locational advantage, demand supply mismatch under ethanol blending program ensures regular offtake and revenue visibility and policy initiatives by the Government. These rating strengths are partially offset by susceptibility of operating margin to volatile raw material prices, exposure to government regulations and unavailability of long term offtake agreement and project implementation risk.

#### Rating Sensitivities

##### Upward factors

- Project to be completed without cost and time overrun.

##### Downward Factors

- Project gets delayed with cost and time overrun.

#### Detailed Description of Key Rating Drivers

##### Key Rating Strengths

##### • Experienced partners

The partners' family is widely experienced in the respective industries. Mr. Yogesh Garg is at the helm of affairs of the firm with support from other partner, Mr Yash Garg and a team of experienced professionals. The partners of KBL have extensive entrepreneurial and technical experience. The partners have diversified businesses which includes manufacturing of various oil, soyabean extraction plant, trading in edible oil and other commodities. They have been engaged with this activity for more than three decades.



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- **Locational advantage**

The manufacturing facilities of KBL will be in Mandsaur district in Madhya 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.

- **Demand supply mismatch under ethanol blending program ensures regular offtake and revenue visibility**

Though the firm does not have any offtake agreement with AMCs, but as the Government targeted 20% blending of ethanol by 2025, which still has large demand supply mismatch in the country. Thus, with the regular participation in tender process, the firm has certainty on regular offtake of produced ethanol by OMCs and private refineries which further resulted in regular revenue visibility. This apart, the firm 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**

- **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 unavailability of long term offtake agreement**

Ethanol production and demand from OMC's are highly dependent on government regulations. This apart, though there is demand mismatch in ethanol supply under petrol blending program, unavailability of long term offtake agreement with OMCs raises concerns on regular offtake in long run.



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- **Project Risk**

KBL is going to initiate a manufacturing facility of grain-based distillery of 120 KLPD capacity to produce Bioethanol under the Ethanol Blending Program scheme launched by GOI and 3.0 MW power plant for captive use. Currently, the firm has floated a greenfield project to setup the manufacturing unit at Mandsaur district in Madhya Pradesh. The firm has acquired a piece of ~20 bigha land and diverting the same for industrial use. Total project cost is to be Rs. 131.41 crore which will be financed by partners' contribution of Rs.21.00 crore, unsecured loan Rs.12.41 crore, term loan of Rs.98 crore. Financial closure has already been majorly achieved with the sanction of bank term loan of Rs.91.50 crore from State Bank of India. The firm has incurred ~Rs.11.86 crore till December 31, 2023, which is financed from partners contribution of Rs.11.78 crore in the form of partners capital and unsecured loan of Rs.0.08 crore. The project is expected to complete by October 2024.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

**Liquidity: Adequate**

The firm is expected to earn a gross cash accrual in the range of ~Rs.12-25 crore as against its debt repayment obligations in the range of ~Rs.9 to 12 crore per year during FY25-28. Accordingly, the liquidity position of the firm is expected to remain adequate in the near to medium term.

**About the Firm**

Kripa Biotech LLP (KBL) was incorporated on August 23, 2022 in Madhya Pradesh, by a group of partners, to initiate a manufacturing facility of alcohol-based products. Since inception, the firm has planned to install a grain-based distillery to produce Bioethanol under the Ethanol Blending Program scheme launched by GOI and a 3.0 MW captive power plant. The firm is formed by Garg family, which has business interest in various fields like- manufacturing of various oil, soyabean extraction plant, trading in edible oil and other commodities, etc.



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KBL has tried to enter a long term off take agreement with OMC's in FY 2022-23, but the OMC's has changes its policies for long term offtake agreement and following only tendering process for procurement of ethanol every year through open tendering during October and November months every year. The firm did not possess a Long-Term Offtake Agreement with the OMCs for 120 KLPD of Ethanol production. In this regard, the firm has floated a greenfield project to setup a manufacturing unit at Mandsaur district in Madhya Pradesh with an estimated project cost of ~Rs.131 crore. Currently the project is in nascent stage of implementation. The day-to-day affairs of KBL are looked after by Mr. Yogesh Garg, promoter partner, along with other partner and a team of experience personnel.

**Financials (Standalone):** Not applicable as KBL in project stage.

**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 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Term loan	Long Term	91.50	IVR BB/ Stable	-	-	-

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

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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
Term loan	-	-	July 2033	91.50	IVR BB/ Stable

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

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-Kripa-mar24.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](http://www.infomerics.com).