



Press Release

Modi Biotech Private Limited

April 03, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	127.82 (increased from Rs.104.82 crore)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Reaffirmed/ Assigned	Simple
Short Term Bank Facilities	5.00	IVR A3 (IVR A three)	Assigned	Simple
Total	132.82 (Rupees one hundred thirty two crore and eighty two lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Modi Biotech Private Limited (MBPL) derives strength from resourceful promoters coupled with experienced professional and locational advantage. The rating also factors in the availability of long-term offtake agreement with Oil Manufacturing PSU companies and policy initiatives by the Government. These strengths are partially offset by susceptibility of operating margin to volatile raw material prices and exposure to government regulations and termination of offtake agreement.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of operations with improvement in profitability and cash accruals
- Improvement in the capital structure and debt protection metrics on a sustained basis
- Managing working capital requirement efficiently leading to improvement in the operating cycle with improvement in liquidity.

Downward Factors

- Decline in the revenue and/ or profits leading to an overall deterioration in the financial risk profile of the company
- Moderation in the capital structure and/ or coverage indicators
- Elongation in the operating cycle with moderation in liquidity

List of Key Rating Drivers with Detailed Description



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Key Rating Strengths

- **Resourceful promoters**

Modi Biotech Private Limited (MBPL) is a wholly owned subsidiary of Modi Naturals Limited (MNL), which is listed on the Bombay Stock Exchange. Further, the key promoter, Mr. Anil Modi, has more than four decades of experience in the edible oils and other food products industry. In addition to this, the second-generation director of the company, Mr. Akshay Modi, also has an experience of fifteen years of industry experience. Going forward, the resourcefulness of the promoters and financial backing of its parent company will benefit the company going forward, resulting in steady growth in the scale of operations.

- **Locational advantage**

The manufacturing facilities of MBPL is in Raipur District of Chattishgarh. The area has sufficient availability for rice 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. Apart from this, the area is well connected by roadways and railways.

- **Availability of long-term offtake agreement with Oil Manufacturing PSU companies**

The company has received an order for 3.72 crores litres of ethanol worth Rs. ~230 crores from various OMCs (Oil Manufacturing Companies) such as BPCL, HPCL, IOCL. This order will be fulfilled as per the ESY (Ethanol Sugar Year- follows the November to October period) in four phases, which in turn ensures revenue visibility and relatively lower counterparty credit risks of the company. The company has achieved a revenue of Rs.6.98 Cr as on 31st December, 2023. Going forward, the improvement in the revenue of the company will be a key rating monitorable.

- **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**



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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 vulnerable to the Government's policies and schemes such as interest subvention, ethanol pricing, raw material availability and pricing, etc. Hence, cessation of any schemes or any material decrease in ethanol pricing would have an adverse impact on MBPL's financials. Moreover, as per the offtake agreement with OMCs, the principle can terminate its agreement by 30 days' notice if the supplier (MBPL) fails to supply in time or operate the business and any adverse changes in current law/directives comes from the government.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity – Adequate

The operations of the company started on October 2023 prior to the first repayment of the term loans, which was made in December 2023. The debt repayment is done from the cash flow from the operations and any shortfall in repayment has made by unsecured loans. Further, the average fund-based limit utilisation remains moderate at around 50 per cent over the four months ended February 2024. Going forward, the liquidity is expected to remain adequate marked by resourcefulness of the promoters and support from holding company. Again, FY2025 onwards the GCA is adequate to meet the debt repayment obligations on account of stabilization of operations.

About the Company

Incorporated in 2021, Modi Biotech Private Limited is engaged in manufacturing of grain-based ethanol. The company had setup a 110 KLPD grain-based ethanol distillery along with 5.27 MW captive power generation plant on a land measuring 24 acres, in Raipur, Chhattisgarh. The total project cost was Rs. 139.77 Cr. The commercial production of the



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project started on October 2023. Further, the company is a wholly owned subsidiary of Modi Naturals Limited, listed on BSE. The main business activity of the holding company is manufacturing of edible oils and other food products.

Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	0.00	0.00
EBITDA	-0.04	-0.08
PAT	-0.04	-0.11
Total Debt	5.98	101.43
Tangible Net worth	8.98	18.52
EBITDA Margin (%)	-	-
PAT Margin (%)	-	-
Overall Gearing Ratio on Net Adjusted Tangible Net Worth (x)	0.67	5.48

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: NA

Any other information: NA

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 February 21, 2023	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loans	Long Term	99.82	IVR BBB-/ Stable	-	IVR BBB-/ Stable	-
2.	Cash Credit	Long Term	28.00	IVR BBB-/ Stable	-	-	-
3.	Bank Guarantee	Short Term	5.00	IVR A3	-	-	-

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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



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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.

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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 I	-	-	June 2030	93.22	IVR BBB-/ Stable
Term Loan II	-	-	June 2030	6.60	IVR BBB-/ Stable
Cash Credit	-	-	-	28.00	IVR BBB-/ Stable
Bank Guarantee	-	-	-	5.00	IVR A3

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



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Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-ModiBiotech-apr24.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.

