



Press Release

Modi Biotech Private Limited

February 21, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	104.82	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Assigned	Simple
Total	104.82 (INR one hundred four crore and eighty two lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Modi Biotech Private Limited (MBPL) derives comfort from its resourceful promoters and experienced top management team, locational advantage and healthy potential demand for ethanol and policy initiatives by the Government. However, these rating strengths are partially offset by project implementation risk, large debt funded project, susceptibility of operating margin to volatile raw material prices and regulatory risk.

Key Rating Sensitivities:

Upward factors

- Project to be completed without cost and time overrun.
- Achievement of envisaged revenue and profitability margins.
- Accomplishment of agreement with Oil Marketing Companies (OMC) for annual offtake of the output.

Downward factors

- Project gets delayed with cost and time overrun.
- Failure to sign agreement with Oil Marketing Companies (OMC) for annual offtake of the output.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Resourceful promoters and experienced top management team

Modi Biotech Private Limited (MBPL) is a wholly owned subsidiary of Modi Naturals Limited (MNL) listed on Bombay Stock Exchange. MNL is promoted by Mr. Anil Modi, who is also one of the directors at MBPL, having experience of more than four decades in the business of edible oils and other food products. The long-standing experience of Mr. Anil Modi strengthens decision making process of the company and its future plans. He is supported by Mr. Akshay Modi, another Director at MBPL who is an Engineer from the University of Leeds, U.K and an alumnus of The Doon School. Promoter of Modi Naturals have experience of running the business of edible oils and other food products. MBPL has financial backing of its parent company, MNL as and when required. However, the promoter does not have relevant experience for the proposed project of ethanol plant. Hence, the company has appointed Mr. Jitendra Malik as General Manager who is an Alcohol Technologist from NSI, Kanpur (DIFAT Course) and post graduated from IIT, Roorkee in Analytical Chemistry. He brings 27 years of experience in distillery operation, project handling & plant commissioning. He has rich experience of grain and molasses base distillery operations, erection and project commissioning.

Locational advantage

The manufacturing facilities of MBPL is being set up 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. This apart, the area is well connected by road and rail.

Healthy potential demand for ethanol and policy initiatives by the Government

The long-term demand outlook of ethanol and bio-fuel remain favourable on the back of a significant demand-supply gap, along with the Government's focus on reducing crude oil import dependency. Further, with the Central Government's aim to achieve 20% ethanol blending target by 2025, the demand for ethanol is likely to continue. To achieve 20% blending by 2025 & to meet the requirement of chemical & other sectors, about 1200 crore litres of



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alcohol/ethanol would be required. Out of total requirement of 1200 crore litres, 700 crore litres is required to be supplied by sugar industry & another 500 crore litres need to be supplied by grain based distilleries, which is a positive for the company. To increase indigenous production of ethanol, the Government is taking multiple interventions for enhancement and augmentation of the ethanol production capacity including interest subvention scheme. The company is eligible for 50% interest subsidy (up to 6% p.a.) of the actual interest paid on the term loan availed for setting up the ethanol plant, which is likely to support its cash flows, going forward.

Key Rating Weaknesses

Project implementation risk

MBPL's plant is currently under implementation stage, which exposes it to execution risk including time and cost overrun risk. The physical progress of the project is 80% till December 31, 2022. The term loans are tied-up and promoter has infused a part of their equity contribution and have fully issued OCDs. The commercial operations are likely to begin from April 2023. Most of the requisite approvals are in place. However, agreement with the Oil Marketing Companies (OMC) are still pending which is key for the project as these OMC will offtake the annual output.

Large debt funded project

The project is funded through debt of Rs 122.30 crores (87.5% of project cost) which includes term loan of Rs. 104.82 crore, optionally convertible debentures of Rs. 17.48 crore and equity of Rs. 17.47 crore. The project has achieved financial closure. The ability of the company to complete the project without any cost or time over run will remain critical from credit risk perspective. Further, timely completion with stabilization and streamlining of revenue remains to be seen.

Susceptibility of operating margin to volatile raw material prices

The primary raw material for manufacturing ethanol is broken rice. Hence this is raw material intensive industry and availability of adequate food grain with competing procurers can become a challenge at times.

Regulatory risk



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MBPL's operations 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 its financials.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity - Adequate

The liquidity is expected to remain adequate marked by resourcefulness of the promoters. The project is under construction which is funded by debt equity mix with proposed term loan of Rs 104.82 crore, for which the repayment will begin from Q3FY24. Overall, liquidity seems to be adequate in projected years with GCA sufficient enough to meet the repayment obligations.

About the Company

Modi Biotech Private Limited was incorporated on 27th April 2021 with an aim to manufacture grain- based ethanol. The company is under process to setup a 110 KLPD grain-based ethanol distillery along with 5.5 MW captive power generation plant on a land measuring 24 acres, in Raipur, Chhattisgarh. The total project cost is Rs. 139.77 crore. The estimated commercial production of the project is April 2023. The company is a wholly owned subsidiary of Modi Naturals Limited, listed on BSE. The main business activity of the holding company is manufacture of edible oils and other food products.

Financials (Standalone): MBPL is in project stage with operations to start from April 2023 tentatively.

(Rs. crore)



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For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	-	-
EBITDA	-	-0.04
PAT	-	-0.04
Total Debt	-	5.98
Tangible Net worth	-	8.98
EBITDA Margin (%)	-	-
PAT Margin (%)	-	-
Overall Gearing Ratio (x)	-	0.67

*As per Infomerics' Standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan 1	Long Term	97.84	IVR BBB-/ Stable	-	-	-
2.	Term Loan 2	Long Term	6.98	IVR BBB-/ Stable	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.



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Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

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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 1	-	-	FY31	97.84	IVR BBB-/ Stable
Term Loan 2	-	-	FY31	6.98	IVR BBB-/ 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-ModiBiotech-feb23.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