



Press Release

Venus Agro-fuels Private Limited

September 26, 2024

Rating

Security / Facility	Amount (Rs. crore)	Current Rating	Previous Rating	Rating Action	Complexity Indicator
Long Term Bank Facility	67.00	IVR BB; Stable (IVR Double B with Stable Outlook)	-	Assigned	Simple
Total	67.00 (Rupees sixty-seven crore 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 rating assigned to the bank facility of Venus Agro-fuels Private Limited (VAFPL) derives comfort from its experienced promoters along with locational advantage for its ethanol plant, extensive support of government in ethanol sector through various incentives and subsidies, and growing demand for ethanol and its by-products. However, these rating strengths are partially offset by its project implementation risk and susceptibility of operating margin to volatile raw material prices coupled with exposure to agro-climatic risk.

The stable outlook is assigned based on expectation that the company will complete the ongoing project within envisaged timeline and scale up the operations post implementation.

Key Rating Sensitivities:

Upward Factors

- Scaling up of turnover and profitability as envisaged
- Successful completion of project without any time or cost overrun and stabilization of project as envisaged

Downward Factors

- Lower than envisaged sales and profitability thus impacting the cash flow and liquidity of the company
- Any changes in Govt. policies negatively impacting the company
- Delay in completion of the project with time or cost overrun.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths



Press Release

Experienced promoters

The current promoters of the company are Mr. Hitesh Kumar Wadhvani, Mr. Manish Garg, and Mr. Swapnil Saraswat. Mr. Manish Garg has an experience of around 10 years by virtue of being managing his family-owned business named M/s Shri Ram Minerals (engaged in limestone processing). Mr. Swapnil Saraswat is having an experience of around 14 years by virtue of working in German Multi-National industrial engineering company as Mechanical Engineer in the past. The promoters are supported by qualified team of professionals. The long-standing experience of the promoters strengthen the business risk profile of the company.

Locational advantage

The main raw material for manufacturing of Grain Based Ethanol is broken grain. The manufacturing facilities of VAFPL is in the agriculturally rich belt in the Katni District of Madhya Pradesh, where raw materials like broken rice and other grains are available through many rice mills situated in the district which provides easy availability of Grains to run a grain-based distillery. Hence, 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.

Extensive support of government in ethanol sector through various incentives and subsidies

The project is eligible for various government incentives including interest cost being borne by government to the extent of 50% of total term debt, given the project has achieved commercial operations. This apart VAFPL is entitled to receive capital subsidy for plant and machinery to the extent of ~40% of total cost. VAFPL is also entitled to 100% exemption for 5 years on electricity duty from the date of commencement of the commercial operation.

Growing demand for ethanol and its by-products

The demand for ethanol is driven by growing usage of the product as a biofuel. Further, the by-product DDGS, meant for animal feed, is a very fast selling product, and very much in demand which the buyers may book in advance as anticipated by VAFPL.

Key Rating Weaknesses

Project implementation risk

Presently, the company is setting up a Grain Based Ethanol Manufacturing/Processing plant with a capacity of 60 KLPD of fuel grade ethanol. The proposed project cost for the said project is Rs.103.63 crore, to be funded by promoter's contribution of Rs. 36.63 crore and term debt of Rs. 67.00 crore i.e., at a debt equity ratio of 1.83. As on July 18, 2024, the company has



Press Release

already incurred around Rs.20.43 crore i.e. ~20% of the estimated project cost funded entirely by promoters' contribution. Financial closure for the debt has been achieved. As confirmed by the management and banker, on August 31, 2024, VAFPL has availed disbursement of Rs.7.47 crore. The project expects to achieve the commercial operations date (COD) by April 2025. Being in early stage of implementation, there exists project implementation risk.

Susceptibility of operating margin to volatile raw material prices coupled with exposure to agro-climatic risk

With raw material costs accounting for majority of the overall cost and limited control over selling prices of ethanol, VAFPL's profitability will be vulnerable to volatility in raw material prices like other players in the industry as key raw materials, being agricultural crops, are seasonal in nature, the availability of the same is affected by factors such as changes in weather conditions, low or high rainfall, production levels, etc. However, the risk is partly mitigated by regular revision of prices for ethanol by the Government on regular intervals based on the prevailing raw material prices.

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

The project is under construction which is funded by debt equity mix of Rs.67.00 crore and Rs.36.63 crore respectively. The term loan has a moratorium period of 20 months. The repayment will begin from October 2025. Further, the company is eligible for various government incentives and subsidies which are expected to support its liquidity. Overall, the liquidity of the company seems to be adequate in the near term.



Press Release

About the Company

Venus Agro-Fuels Pvt. Ltd (VAFPL) was incorporated on June 26, 2022, by Mr. Hitesh Kumar Wadhvani, Mr. Manish Garg, and Mr. Swapnil Saraswat for the purpose of setting up grain-based ethanol plant with a capacity of 60 KLPD.

Financials (Standalone): The company has no operation for past 3 years and FY26 [FY refers the period from April 01 to March 31] will be its first year of operation post commencement of the ethanol plant.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	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	67.00	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).

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



Press Release

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Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	Jan 2034	67.00	IVR BB; Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-VenusAgro-sep24.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.