



Press Release

Visag Biofuels Private Limited

February 06, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities – Term Loan	115.54	IVR BBB-/ Stable	Assigned	Simple
Long Term Bank Facilities – Fund Based – Cash Credit	9.00	IVR BBB-/ Stable	Assigned	Simple
Total	124.54	Rupees One Hundred Twenty-Four Crore & Fifty-Four Lakhs only		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuations and Ratings Private Limited (IVR) has assigned long-term rating of IVR BBB- with a Stable Outlook & short-term rating of IVR A3 for the bank loan facilities of Visag Biofuels Private Limited (VBPL).

The rating draws comfort from its locational advantage, availability of long-term offtake agreement with Government body ensures revenue visibility and support through Government policy initiatives. However, these strengths are partially offset by Susceptibility of operating margin to volatile raw material prices, Exposure to government regulations and termination of offtake agreement.

IVR has principally relied on the standalone audited financial results of VBPL up to 31 March 2022, and projected financials for till FY32, and publicly available information/ clarifications provided by the company's management.



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Key Rating Sensitivities:

Upward Factors

- Project to be completed without cost and time overrun.
- Ensuring Operating and profitability efficiency as per projected data.

Downward Factors

- Project gets delayed with cost and time overrun.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Locational advantage**

The manufacturing facilities of VBPL will be in Balaghat District of 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.

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

100% of the proposed installed capacity of the project has been tied up with OMCs (IOCL, BPCL & HPCL together) by an Offtake agreement signed on January 03, 2022. The OMCs will offtake 3.63 crore Litre of ethanol per annum for 10 years after commencement of operation. The payment will be through escrow account as proposed and the payment generally will be made within 21days from supply of ethanol. 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



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25% by 2025 from the current ~5%. In lieu of the above developments and 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 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 (ADPL) fails to supply in time or operate the business and any adverse changes in current law/directives comes from Government.

- **Project Risk**

VBPL is going to initiate a manufacturing facility of grain-based distillery of 130 KLPD capacity to produce Bioethanol under the Ethanol Blending Program scheme launched by GOI and 2.50 MW power plant for captive use. Currently, the company has floated a greenfield project to setup the manufacturing unit at Balaghat District of Madhya Pradesh. Financial closure has already been achieved with the sanction of bank term loan from State Bank of India.

Analytical Approach: For arriving at the ratings, IVR has analysed VBPL's credit profile by considering the standalone financial statements of the firm.

Applicable Criteria:



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[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 and support for other group companies. Further, the company is expected to earn a gross cash accrual in the range of ~Rs. 26- 44 crore during FY24-26 and would be sufficient to meet its debt repayment obligations in the range of Rs. 9-16 crore during FY24-26.

About the Company

Visag Biofuels Private Limited is a Balaghat based Private limited company renamed on 12th February 2021 and originally incorporated on 7th October 2019, previously known as “Shree Sheetal Infra Pvt. Ltd.” The company which was started to work in Infrastructure development of different departments of Govt. of M.P. such as PWD, Irrigation, Housing Board, Health, etc and now entering in Production, Manufacture, Process, Import, Export or otherwise trade in Biofuels such as Ethanol & it's by-product such as CO₂, CNG etc. The management of the company has decided for setting up of 130 KLPD Ethanol Plant based on grains for producing 1st Generation fuel ethanol from feedstock like Broken Rice (Kinky), Maize (corn), Bajra, Jowar, etc.

Financials (Standalone):

(Rs. Crore)	
For the year ended*	31-03-2022
	Audited
Total Operating Income	0.00
EBITDA	0.00
PAT	0.00
Total Debt	0.01
Adjusted Tangible Net worth	8.11
EBITDA Margin (%)	NM
PAT Margin (%)	NM
Overall Gearing Ratio (x)	0.00

* Classification as per Infomerics' standards (NM=Not Meaningful)



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Status of non-cooperation with previous CRA: Nil.

Any other information: Nil

Rating History for last three years:

Sr. No.	Type of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating (06 February 2023))	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.	Fund Based Bank Facility – Term Loan	Long Term	115.54	IVR BBB-/ Stable	-	-	-
2.	Fund Based Bank Facility – Cash Credit	Long Term	9.00	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.

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.

For more information visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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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	-	-	December 2031	115.54	IVR BBB-/ Stable
Cash Credit	-	-	-	9.00	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-Visag-Biofuels-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 [Complexity Level of Rated Instruments/Facilities](#).