



Press Release

YTT Industries Private Limited

August 30, 2024

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facility	173.00	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
	Total	173.00	Rupees One Hundred Seventy Three Crore Only			

Details of Facilities are in Annexure 1

Facility wise lender details are at Annexure 2

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned long term rating of IVR BBB- with a Stable outlook for the bank loan facilities of YTT Industries Private Limited (YTTIPL).

The rating draw comfort from successful completion of the project in a timely manner and stability of cash inflows, strategic location of the project, healthy potential demand for ethanol and financial assistance from GOI. However, these rating strengths are partially offset by funding risk, experience of promoters as this is a new industry for promoters, susceptibility of profitability to agro-climatic risks and price of fossil fuels and risk associated with operating in a regulated industry,

The 'Stable' outlook is expected to remain in the medium term due to adequate demand of ethanol as project is also completed in a timely manner.

IVR has principally relied on the unaudited certified provisional financial results of YTTIPL's for FY2024 (refers to period from 1st April 2023 to 31st March 2024) and projected financials from FY2025 to FY2031, and publicly available information/ clarifications provided by the company's management.

Upward factors

- Achievability of projected operating parameters.
- Stabilization of operations and generation of the cash flows as projected.



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Downward factors

- Non-stabilization of operations impacting the projected cash flows.
- Deterioration in financial risk profile on account of stretch in working capital cycle.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Successful completion of the project in a timely manner and stability of cash inflows:

YTT Ltd has successfully completed the construction of 160 KLPD grain-based ethanol plant in July'2024 and commercial operations has begun from Aug'2024. The company has entered into offtake agreements with OMC's like BPCL, HPCL and IOCL providing adequate revenue visibility post the commencement of operations and limiting the market risk.

Strategic location of the project:

The company has set up grain based ethanol plant, at village Daranagar, district: Shahjahanpur, Uttar Pradesh. It is situated 15km away from sub-district headquarter Kalan (tehsildar office) and 79km away from district headquarter Shahjahanpur. The district is predominantly an agricultural district of Uttar Pradesh. The major crops grown in the district are wheat, paddy (rice), pulses, sugarcane and groundnut. Shahjahanpur district is one of the major paddy producing districts of Uttar Pradesh. It is one of the districts in U.P. selected for development of Agri Export Zone for basmati rice.

Healthy potential demand for Ethanol:

The long-term demand outlook of ethanol and biofuel 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 increase indigenous production of ethanol, the government is taking multiple interventions for enhancement and augmentation of the ethanol production capacity including interest subvention scheme.

Financial assistance from GOI:

The government is extending financial assistance in the form of interest subvention for five years including one year moratorium against the loan availed by project from banks @ 6% per annum or 50% of the rate of interest charged by banks whichever is lower for setting up of new distilleries or expansion of existing distilleries. YTT has obtained interest subvention approval from Department of Food and Public Distribution, GOI, which will help to lower borrowing costs and increase liquidity.

Key Rating Weaknesses



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Experience & capability:

The promoters have prior experience in the field of real estate sector. The proposed grain-based ethanol distillery will be the first venture for the company as well as the promoters in the distillery field. In order to mitigate the lack of experience in the sector, the company has identified experienced technical personnel who have worked in the distillery field earlier and recruited.

Susceptibility of profitability to agro-climatic risks and price of fossil fuels:

The primary raw material used by YTT is broken rice and maize which is agro-commodity. The prices of raw materials are prone to significant fluctuations as their availability depends on the monsoon. Further, power and fuel costs constitute a sizeable portion of the cost structure, making the profitability susceptible to any increase in the cost of fossil fuels used for power generation.

Risks associated with operating in a regulated industry:

The ethanol industry is a highly regulated industry that depends upon government policies. These policies contribute to the risks of ethanol production. Dependence on government policies and subsidies for ethanol blending mandates can introduce uncertainty, as changes in these regulations may affect market demand and pricing dynamic.

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

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 company has projected to maintain an adequate level of inflow post commencement of operations. The company is expected to earn gross cash accrual in the range of ~Rs.21 Crore – Rs. 38.00 crore as against its debt repayment obligations in the range of ~Rs.13.00 to Rs. 22 crore per year during FY26-FY31.

About the Company

YTT Industries Private Limited was incorporated on September 06, 2022 with an aim to manufacture grain-based ethanol. The company has setup a 160 KLPD grain-based ethanol plant under the GOI Ethanol Blending Programme (EBP) at village Daranagar, Kalan Tehsil, Shahjahanpur District, Uttar Pradesh. The company will primarily produce ethanol for blending with petroleum as biofuel and other by-products from broken rice & maize. YTT Industries



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Private Limited has a production capacity for Ethanol for blending with petroleum as bio fuel. The government is encouraging blending of ethanol made from broken rice and maize etc. The outcome of the distillation process is Ethyl Alcohol or Ethanol, DDGS and CO2 as by-product. The distillery will use primarily broken rice or maize as basic raw material. Besides this, processing chemicals would be used. The raw material used for the boiler fuel will be rice husk.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	-	3.02
EBITDA	-	-0.26
PAT	-	-0.43
Total Debt	-	95.18
Tangible Net worth	0.10	29.27
EBITDA Margin (%)	-	-8.7
PAT Margin (%)	-	-14.06
Overall Gearing Ratio (x)	-	1.30
Interest Coverage Ratio (x)	-	0.00

**Classification as per Infomerics' standards*

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 Ratings (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	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based	Long Term	173.00	IVR BBB-/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 ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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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	-	-	April 2032	136.00	IVR BBB-/Stable
Cash Credit	-	-	-	37.00	IVR BBB-/Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-ytt-aug24.pdf>

Annexure 3: Detailed explanation of covenants of the rated securities/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 [Complexity Level of Rated Instruments/Facilities](#).