



Press Release

Micromax Biofuels Private Limited

April 03, 2025

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	142.88	IVR BBB-; Stable (IVR Triple B minus with Stable outlook)	-	Rating Assigned	Simple
Short Term Bank Facilities	7.00	IVR A3 (IVR A three)	-	Rating Assigned	Simple
Total	149.88 (Rupees one hundred and forty-nine crore and eighty-eight lakh 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 ratings assigned to the bank facilities of Micromax Biofuels Private Limited (MBPL) derives comfort from its experienced promoters, commissioning of ethanol plant, locational advantage & procurement ease, availability of long-term offtake agreement with Oil Marketing Companies (OMC) to ensures revenue visibility and extensive support of government in the form of interest subsidy & capital subsidy in the ethanol sector and rising demand for fuel grade ethanol augmented by GOI initiatives. However, these rating strengths are partially offset by its short track of operation, susceptibility of operating margin to volatile raw material prices coupled with exposure to agro-climatic risk, exposure to government regulations & risk of termination of offtake agreement and moderate capital structure.

The outlook is stable based on the expected benefits that will accrue to the company from its experienced promoters and favourable industry outlook which will support operations. The strong demand for ethanol, particularly for petrol blending application currently far outpaces supply and the ethanol industry is set to benefit from this as well as from supportive government policies such as interest subvention.

Key Rating Sensitivities:

Upward Factors



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- Sustained increase in operating income and profitability leading to improvement in gross cash accruals
- Improvement in the capital structure with improvement in leverage ratios and improvement in debt protection metrics

Downward Factors

- Moderation in the scale of operation with moderation in profitability impacting debt protection metrics
- Any unplanned debt funded capex impacting the capital structure with moderation in overall gearing to over 3x
- Delay in receipt of subsidies impacting the liquidity profile
- Any changes in Govt. policies negatively impacting the company

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

MBPL is a subsidiary (80% shareholding) of Micromax Informatics Ltd (MIL), a Company having its registered office in Delhi and involved in the business of designing inventing and manufacturing of mobile phones, consumer electronic goods, home appliances. The promoters of MIL, Mr. Rajesh Agarwal, Mr. Sumeet Kumar (with over three decades of experience each), Mr. Rahul Sharma and Mr. Vikas Jain considering the fast-emerging sector of biofuels and government push towards ethanol, decided to setup 100 KLPD grain-based ethanol plant along with 3 MW captive power plant.

- **Commissioning of Ethanol plant to drive the operations**

The grain-based distillery manufacturing unit to produce 100 KLPD Ethanol at a cost of Rs.192.16 crore which was funded by a term loan of Rs. 124.10 crore, promoter contribution (including Unsecured loan treated as Quasi Equity) of Rs.66.33 crore and proceeds from capital subsidy of Rs.1.73 crore. The company has achieved approval from Jila Udyog Kendra, Muzaffarpur to produce ethanol and DDGS from 21.02.2024. Commencement of operation in Ethanol plant is expected to drive the revenue going forward.

- **Locational advantage and procurement ease**

The manufacturing facilities of MBPL is in the agriculturally rich belt in Motipur in the Muzaffarpur District of Bihar. As such, the plant is surrounded by maize suppliers which



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ensures timely and easy availability of raw materials like maize 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 Oil Marketing Companies (OMC) to ensure revenue visibility**

MBPL has long-term purchase agreements with OMCs like Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL), Indian Oil Corporation Limited (IOCL) to supply an offtake quantity of 1.98 Cr litres of grain-based Ethanol for a period of 10 years from commencement of commercial operations (COD).

- **Extensive support of government in the form of interest subsidy and capital subsidy in the ethanol sector**

The company is entitled to receive various subsidies extended by State government of Bihar and Central government under various plans. The company has already received capital subsidy of Rs.5 crore from state government in FY23-24 [FY refers to the period from April 1 to March 31] and interest subvention of Rs.8.60 crore till May 2024 and expecting interest subsidy of ~Rs.12 crore in FY25-26. Subvention from Central Govt (NABARD) for its term loan under the DFPD (Department of Food and Public Distribution) scheme, the benefit of which is likely to support its cash flows in future.

- **Rising demand for fuel grade ethanol augmented by GOI initiatives**

There has been various measure announced but the Government of India for achieving 20% ethanol blending with petrol by 2025 to reduce India's import dependence on energy security/forex spending and to cut down on fossil fuel emissions. Incentives include interest subvention etc. Further, the by-product DDGS, meant for animal feed, is also a very fast selling product.

Key Rating Weaknesses

- **Short track of operation**

MBPL started operation from February 2024, hence it has short track record of operation of around one year. Hence MBPL overall has a short track record of operation. However, the promoters have good business experience which mitigated the business risk to an extent. MBPL achieved total operating income of ~Rs.200 crore with EBITDA margin of ~21% in 11MFY25.



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- **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, MBPL's profitability will be vulnerable to volatility in raw material (key ingredients – maize, rice and wheat) 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.

- **Exposure to government regulations and risk of 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 if the supplier fails to supply in time or operate the business and any adverse changes in current law/directives comes from Government.

- **Moderate capital structure**

The capital structure of the company marked by overall gearing ratio (including quasi equity of Rs.24.95 crore) remain leveraged at 2.09x as on March 31, 2024, as MBPL had higher reliance on long term debts to fund its project. However, going forward, with stabilisation of operations and scheduled payment of term loans, the leverage ratios is likely to improve.

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 company is expected to earn a gross cash accrual in the range of ~Rs.31.53-34.93 crore as against its debt repayment obligations in the range of Rs.14.64 crore per year during FY25-FY27. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. The average CC utilisation remains comfortable at ~37% in the past 12 months ended February 2025 indicating moderate liquidity buffer for the company. However,



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the company is eligible for subsidies from GOI and State government of Bihar which is expected to support its liquidity.

About the Company

Micromax Biofuels Private Limited (MBPL) (formerly Iotex Systems Private Limited), incorporated on 4th December 2014, is a Delhi based company engaged to operate a 100KLPD grain-based ethanol plant along with 3 MW captive power plant. The company's ethanol plant is operational since December'23. The manufacturing unit is located at Motipur, District- Muzaffarpur, Bihar. MBPL is a subsidiary of Micromax Informatics Ltd, a Company having its registered office in Delhi and involved in the business of designing inventing and manufacturing of mobile phones, consumer electronic goods, home appliances.

Financials (Standalone):

(Rs. Crore)

For the year ended / As on*	31-03-2024
	Audited
Total Operating Income	3.13
EBITDA	0.96
PAT	-1.12
Total Debt	136.32
Tangible Net worth	40.41
Adjusted Tangible Net worth	65.34
EBITDA Margin (%)	30.80
PAT Margin (%)	-31.82
Overall Gearing Ratio (x)	2.09
Interest Coverage (x)	0.58

*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 Security/Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
1.	Term Loan	Long Term	106.88	IVR BBB-; Stable	-	-	-
2.	Cash Credit	Long Term	36.00	IVR BBB-; Stable	-	-	-
3.	Bank Guarantee	Short Term	7.00	IVR A3	-	-	-



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About Infomerics:

Infomerics Valuation and Rating Ltd (Formerly Infomerics Valuation & Rating Pvt. 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).

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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	-	-	-	June'32	106.88	IVR BBB-; Stable
Cash Credit	-	-	-	-	36.00	IVR BBB-; Stable
Bank Guarantee	-	-	-	-	7.00	IVR A3

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-micromax-biofuels-apr25.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.