

Viaton Energy Private Limited (Revised)

February 23, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	52.48	CARE B+; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB-; Stable;

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

The revision in ratings assigned to the bank facilities of Viaton Energy Private Limited (VEPL) factors in the decline in financial performance of company in FY23 (A) [FY refer to period between April 01 and March 31].

CARE had, vide its press release dated December 20, 2021, placed the rating(s) of Viaton Energy Private Limited (HPIL) under the 'issuer non-cooperating category' as VEPL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. VEPL continues to be noncooperative despite repeated requests for submission of information through email requests dated between December 19, 2023 to December 31, 2023. In line with the extant SEBI guidelines, CARE has reviewed the rating based on the best available information which, however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook on the ratings of VEPL reflects CARE Rating's expectation to maintain sufficient cash balances and low term debt repayment obligations which shall aid the liquidity profile of VEPL.

Detailed description of the key rating drivers:

Key weaknesses

Declining scale of operations and operational losses incurred in FY23: The operational performance of VEPL remained moderate with decline in TOI as on March 31, 2023 to Rs.47.83 crore. In line with decline in TOI, and increased cost of sales, the VEPL incurred operational losses with net loss Rs. 5.13 crore and PAT at 14.30 crore, the profitability margins also witnessed a decline. The PBILDT margin witnessed a drop from 13.50% in FY22 to 4.77% in FY23. The PAT margins of VEPL further deteriorated as the company reported a net loss of Rs. 29.89 crores in FY23 as against a net loss of Rs. 8.83 in FY22.

Weak financial risk profile and moderate debt coverage indicators: The standalone financial risk profile of VEPL is weak due to its high debt of Rs. 134.62 Cr. The interest coverage ratio of the company has deteriorated below unity at -1.13x in FY23 from 0.50x in FY22. The capital structure of the company is leveraged marked by the overall gearing ratio remaining leveraged at 63.05x as on March 31, 2023, as against 6.91x as on March 31, 2022. The overall gearing ratio continues to remain leveraged due to higher debt levels. The total Debt/PBILDT ratio stood at -26.25x as on March 31, 2023, as against 42.20x as on March 31, 2022.

Raw material sourcing and price volatility risk: The pricing and availability of biomass are determined by the supply and demand factors. On the supply side, the availability of agro wastes is critically dependent on the production of the underlying crop, which can often be volatile and determined by agroclimatic conditions and cropping patterns. This exposes biomass-based plants to seasonal volatility in fuel prices. On the demand side, biomass-based power plants face competition from not only other biomass power plants but also from several alternative users like brick manufacturers. Increased use of biomass by various users has resulted in an increase in biomass prices in most regions of the country exposing the company to price volatility risk.

Key strengths

Experienced and resourceful promoters: VEPL is a joint venture between 3F Industries Ltd (51% shareholding) and Creative group (49% shareholding). 3FIL is established integrated manufacturing and it refines crude oil into value-added products like vanaspati, speciality fats for confectionaries and bakeries and by-products like fatty acids, shea fats, oleins, glycerine etc. The

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

day-to-day operations of the company are taken care of by Mr. S. B. Goenka. 3FIL has provided needly support to VEPL as and when required by infusing funds either in form of capital or unsecured loans.

Favourable policy framework: The central government is providing various incentives to encourage investment in the field of biomass power projects. Some of the incentives are custom duty concessions for machinery and components for the initial setting up of projects, sales tax exemption in certain states etc. Moreover, the State Electricity Regulatory Commissions (SERCs) are announcing preferential tariffs and directing state distribution utilities to compulsorily source a certain fixed percentage of power from renewable sources under Renewable Purchase Obligations (RPO).

Liquidity: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Rating Methodology-Thermal Power producers](#)

[Infrastructure Sector Ratings](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power Generation

Viaton Energy Private Limited (VEPL) is a joint venture between 3F Industries Ltd. (rated CARE BBB; Stable/CARE A3+) (51% shareholding) and Creative Group (49% shareholding). VEPL was promoted in 2009 to set up a 10 MW biomass fuel-based thermal power project in Mansa District, Punjab. The company achieved the COD of a biomass power plant (10MW) on January 17, 2014.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	56.34	47.83
PBILDT	2.69	-5.13
PAT	-4.98	-14.30
Overall gearing (times)	6.91	63.05
Interest coverage (times)	0.50	-1.13

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	15.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	10-09-2025	37.48	CARE B+; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	37.48	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (25-Jan-23)	1)CARE BB+ (CE); Stable; ISSUER NOT COOPERATING* (20-Dec-21) 2)CARE BB+ (CE); Stable; ISSUER NOT COOPERATING* (27-Jul-21)	1)CARE BBB (CE); Stable; ISSUER NOT COOPERATING* (28-Jan-21)
2	Un Supported Rating-Un Supported Rating (Long Term)	LT	-	-	-	1)Withdrawn (25-Jan-23)	1)CARE BB-; ISSUER NOT COOPERATING* (20-Dec-21) 2)CARE BB-; Stable; ISSUER NOT COOPERATING* (27-Jul-21)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (28-Jan-21)
3	Fund-based - LT-Cash Credit	LT	15.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (25-Jan-23)	1)CARE BB+ (CE); Stable; ISSUER NOT COOPERATING* (20-Dec-21) 2)CARE BB+ (CE); Stable; ISSUER NOT COOPERATING* (27-Jul-21)	1)CARE BBB (CE); Stable; ISSUER NOT COOPERATING* (28-Jan-21)

LT: Long term

*Issuer did not cooperate; based on best available information.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Karthik Raj K Director CARE Ratings Limited Phone: +91-80-4662-5555 E-mail: karthik.raj@careedge.in
Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Y Tejeshwar Reddy Assistant Director CARE Ratings Limited Phone: +91-40-4010-2030 E-mail: Tejeshwar.Reddy@careedge.in
	Saba Shaikh Analyst CARE Ratings Limited E-mail: Saba.Shaikh@careedge.in

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