MGM Biofuels Private Limited

April 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	215.00	CARE BBB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of MGM Biofuels Private Limited (MGMBPL) derives strength from the experience and long track record of promoters in mining and steel industry, favourable location of the plant and positive industry prospects towards ethanol plant as per Ethanol Blended Petrol (EBP) Programme by Government of India (GOI). However, the ratings are constrained on account of nascent stage of project implementation and subsequent stabilization risk associated with its debt funded greenfield project, susceptibility of margins to availability of raw material, and susceptibility to regulatory changes.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely completion of project without time and cost over as envisaged.
- Post COD ramping up of the production and achieving the envisaged operating income levels and profitability margins.

Negative factors

- Significant delay in completion and commencement of the project leading to cost and time overrun.

Analytical approach: Standalone factoring in linkages with parent entity, MGM Minerals Limited (MGMML).

Outlook: Stable

Stable outlook reflects CARE's expectation of timely completion of the project within the envisaged cost.

Detailed description of the key rating drivers:

Key strengths

Established promoter group with presence across diverse business verticals: MGMBPL is part of the MGM group and is the wholly owned subsidiary of MGMML, which caters to the iron ore mining and steel sector in Odisha. The seven-decade long presence of the group in the iron ore mining industry has enabled the promoters to establish healthy relationships with customers and logistical service providers. MGM Minerals, the flagship company of the group that operates in two segments – mining and steel has its own iron ore mines situated in Sundergarh district of Odisha with mineable reserve of ~8.1 million MT. The installed capacity of iron ore mining stood at 1.5 million MTPA. Under its steel division, it has a sponge iron plant of 1.05 lac MTPA, 8 MW WHRB power plant. Further, the group in FY23 acquired Pattanaik Steel & Alloy Limited (PSAL) that has current installed capacity of 350 TPD DRI plant, 1 lac MTPA billet plant & a 15 MW power plant. Further, MGMML is in the process of expansion of its steel unit with installation of another 1.25 lac MTPA DRI Plant, 2.50 lac MTPA Billet manufacturing plant, 2.5 lac MTPA Rolling Mill and 40 MW Power plant which is expected to achieve COD by Q3FY26.

The group also has a garment manufacturing unit under its group company – Wild Lotus Fashions Private Limited, the clientele of whose includes the Reliance group, Decathlon, Raymond, etc. Further, the group is also planning to set up a 120 bed 5-star resort in Puri, Odisha.

MGM Group was founded by Late M G Mohanty and is led by Mr. Pankaj Lochan Mohanty, who is supported by a team of well qualified professionals.

Locational advantages: The plant is located in the Boudh district of Odisha. Boudh district is a grain rich area as agriculture is the primary economic activity of the state. Odisha is considered as one of the largest food grain producer states especially rice and maize. The company plans to source the raw materials from the local mandi through several available suppliers. Additionally, the availability of grain and cheap labour from the nearby neighbouring states ensures ample raw material availability and reduced labour costs.

Eligible for government subsidy: The project is in line with the GOI's EBP program launched in 2003. Further, the project has received an in-principle approval of Government of India for grant of interest subvention wherein the ethanol producer can

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

avail a reduction in interest rate of 6% per annum or 50% of the rate initially charged by the banks/financial institutions whichever is lower, for a maximum period of 5 years (including a 1-year moratorium).

Key weaknesses

Project execution risk marked by nascent stage of project: The company has taken up a green field project of Rs. 246.11 crores to set-up an ethanol producing plant having installed capacity of 200 KLPD. The project cost will be financed through mix of debt and equity. Out of Rs. 246.11 crores; Rs.184.58 crores will be financed through debt (debt already tied up) and remaining Rs. 61.53 crores would be financed through equity/unsecured loans. As on March 31, 2024, the company has expended around Rs. 35 crores which is funded through Rs. 25 crores of equity/unsecured loan and debt drawn down of around Rs. 10 crores. Land has been acquired and all other processes such as sale deed, mutation etc. have also been completed. 10% of the civil construction work has also been completed. Further, the order for machinery has also been placed with the EPC.

Going forward, ability of the company to successfully execute the project without any significant time and cost overrun shall be a key rating monitorable.

Profitability being susceptible to volatility of raw material prices amidst inherent agro-climatic risks: With raw material costs accounting for majority of the overall cost and limited control over selling prices of ethanol, MGMBPL's profitability is 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 of 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.

Regulatory risk: Change in government policies, fall in offtake of petrol and diesel may affect the company's performance especially change in government's outlook to encourage electric vehicles etc., in future.

Liquidity: Adequate

The total cost of the project is around Rs. 246 crores funded through debt of Rs. 185 crores (Debt already tied up) and balance through promoter's contribution. The promoters have already infused around Rs. 25 crores for the project till March 2024. There is no long-term repayment during FY25 and FY26, and the same will start from Q1FY27 onwards. Further, liquidity derives comfort at group level as the group collectively has free liquidity of around Rs. 325 crores as on March 31, 2023. Factoring the favourable industry prospects and strong net worth position of the promoters, the liquidity profile of the firm is expected to be comfortable.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Project stage companies

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Commodities	Chemicals	Chemicals & Petrochemicals	Commodity Chemicals

Promoted by MGM Minerals Ltd (MGMML), MGMBL was incorporated in May 2021 to set up a 200 KLPD broken rice-based bio refinery project near Biramchandrapur Village, Harbhanga Tehsil, Boudh District in Odisha, that produces first generation (1G) ethanol from broken rice as main feedstock. The company has started construction of the project on October 01, 2023 and is expected to be completed by 31st March 2025, with 1st April 2025 as the scheduled commercial operations date.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	0.00	0.00
PBILDT	-0.06	-0.09
PAT	-0.06	-0.04
Overall gearing (times)	0.00	0.00

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Interest coverage (times)	NM	NM

A: Audited NM: Not Meaningful; 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		-	-	-	30.42	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	31-03-2033	184.58	CARE BBB; Stable

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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	184.58	CARE BBB; Stable				
2	Fund-based - LT-Cash Credit	LT	30.42	CARE BBB; Stable				

LT: Long term

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

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