

Crux Biotech India Private Limited (Revised)

September 10, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	34.28	CARE BBB-; Stable	Reaffirmed
Short-term bank facilities	0.90	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings for Crux Biotech India Private Limited's (CBIPL's) bank facilities is supported by its extensive history in the distillery sector, experienced leadership, advantageous plant location, reputable clientele, moderate capital structure with sufficient liquidity, and a stable industry outlook. However, these strengths are partially offset by fluctuating profit margins, product concentration risk, limited growth potential due to fully utilised capacities, increasing exposure to associate companies, risks related to agro-based raw material availability and prices, and the company's presence in a highly regulated industry. Ratings also consider the project undertaken under Crux Bioethanol India Private Limited (CBEIPL), to set up an ethanol plant that shall be funded through equity contribution sourced from CBIPL and other shareholders and risk associated with the stabilisation of the project, though the same is ahead of schedule.

Rating sensitivities: Factors likely to lead to rating actions
Positive factors

- Improving profitability (profit before interest, lease rentals, depreciation, and taxation [PBILDT]) margins to above 12% while registering a steady growth in total operating income (TOI) by more than ₹225 crore at standalone level for CBIPL.
- Significantly improving capital structure.
- Timely completion and stabilisation of project undertaken in CBEIPL.

Negative factors

- Delaying project implementation in the subsidiary and higher-than-envisaged support extended for the project in CBEIPL.
- Deteriorating TOI and PBILDT levels by more than 30% y-o-y.

Analytical approach: Combined

The approach has been changed from standalone to combined. Standalone view was taken last year given that the investment in project under Crux Bioethanol was expected to be done by promoters and relatives directly and no fungibility of cash flows was envisaged. However, the entire equity contribution till date towards the said project entity has been routed through CBIPL during the year creating a Holdco-subsidiary relationship. Hence CARE Ratings Limited (CARE Ratings) has combined the financials of two entities.

Outlook: Stable

CARE Ratings believes that the entity will continue to benefit from the extensive experience of promoters and management in the industry and it is expected to maintain its business and financial risk profile.

Detailed description of key rating drivers:
Key strengths

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

Experienced promoters

G. Ravi Chandran – Managing Director (B.E - Electronics & Communication) is the company's promoter having over 25 years of rich experience in information technology, civil construction, and distillery. By virtue of his extensive experience in the liquor industry, he has developed healthy business relations with suppliers and clients. G. Chandra Sekhar Reddy (B.E Mech.), Director, also has more than two decades of industry experience. He is a qualified technocrat and has overseen plant erection and commissioning. The company is also ably supported by M. Subba Reddy (B.E. Mech.), Director, with vast experience in the field and looks after improving the standards of production. V. Venkata Reddy and Dr. M. Siva Kumar Reddy, other Directors, have more than a decade of experience in various businesses. CARE Ratings expects this experience to benefit the company in future as well.

Strategic location of plant with inhouse captive power plant

The company's manufacturing unit is strategically located near the grain-growing region of Andhra Pradesh, thus providing it with logistical advantage. CBIPL procures most of its raw materials such as maize and broken rice from local farms in and around the unit. Distilling is a highly water-sensitive process and it is necessary to have continuous supply of water to have uninterrupted output. The plant is in the vicinity of Krishna River located around 2 kms away. The company has also constructed a water pond in its premises, thus ensuring continuous stream of water. It has a captive power plant of 2.5 MW.

Reputed client base

The company has established strong relationship over the years with its clients on the back of quality product and successful track record, resulting in repeat orders. In FY24, sales concentration from top five clients remained low at 44%, as the company has added new clients to its portfolio. With employing high standards of manufacturing and the ability to meet the demand of its customers, CBIPL has been successful to bag repetitive orders from big players in the Indian beverages industry. Extra neutral alcohol (ENA) is the main input for brewers and a major portion of CBIPL's production is sold to some of the renowned breweries and marque manufactures, including SNJ Distilleries, Golden Vats, and Empee Distilleries. Impure spirit is sold to reputed pharma companies such as Century Pharmaceuticals Limited, Andhra Organics Limited, and others. The company has built strong credentials with its clientele, which will enable it secure future orders.

Growing scale of operations despite fluctuating margins

CBIPL is primarily engaged in manufacturing ENA from maize starch and broken rice starch for the alcohol trade industry. ENA is the major revenue contributor of the company with around 66% of the company's net sales in FY24 (80% in FY23), where ethanol contributed 13% in FY24. The plant is operated at almost full capacity utilisation in FY24 with ethanol as an additional product. In FY24, ENA's sales realisation increased by 6% despite decline in the sales quantity by 7%; primarily the company tried to pass on the increased raw material costs to customers. The entity also started manufacturing ethanol and sold 3,884 kilo litres with revenue of ₹26.69 crore in FY24.

Key weaknesses

Moderate financial risk profile

The company's debt comprises term loans, working capital borrowings, and unsecured loans from friends and relatives. The company's capital structure marked by overall gearing and debt equity ratio remained moderate at 0.85x (PY: 0.37x) and 0.62X (PY: 0.13X) as on March 31, 2024 at standalone level and 1.59x at combined level. Deterioration in solvency metrics is due to substantial increase in funds brought in the business by way of interest free unsecured loans of ₹37.85 crore and higher working capital borrowing and new LAP loan of ₹8.25 crore for new office premises. Interest coverage remained moderated at 4.7x and total debt to gross cash accruals (TDGCA) 5.82x due to higher debt levels.

Project implementation and stabilisation risk

Achieving optimum capacity utilisation is critical to achieve the projected performance, though comfort is derived from ahead of schedule execution of project. Additionally, the company has to serve the interest obligation from the DCCO. The saleability risk for the production post completion is mitigated well before time agreement executed with the Public Sector Unit (PSU) OMCs which have agreed to off-take over 36% capacity of the new plant. Thus, achievement of timely completion of the project, stabilisation of process, and tie-up for balance production off-take are key credit monitorable.

Profitability susceptible to input price volatility

Alcohol industry is raw material-intensive and availability of adequate food grain with competing procurers can become a challenge at times. The entity uses grain (broken rice and maize) as its raw material to produce ethanol and since grain prices largely depend on vagaries of nature; adverse changes might impact the company's profitability.

Presence in highly regulated alcohol industry

The liquor industry is highly regulated in India with each state government formulating its own policy for production, distribution, retailing, and duty structure independently. As a result, there are difficulties in transfer of production from one state to another, and huge burden of duties and taxes. The production and sale of liquor are entirely controlled by the respective state government and remain exposed to regulatory demands for non-compliance, which may give rise to contingent liability.

Liquidity: Adequate

The liquidity position of the company is adequate backed by sufficient accruals of around ₹13 crore against debt repayment obligation of around ₹4.68 crore. The company has liquidity buffer as working capital utilisation was low at 87% for past 12 months ended June 2024. Also, the company has sufficient gearing headroom to raise additional debt, if required.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Consolidation](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast-moving consumer goods	Fast-moving consumer goods	Beverages	Breweries & distilleries

Incorporated on May 20, 2010, CBIPL is promoted by G. Ravi Chandran – Managing Director, having more than two decades of experience in liquor trading. The standards of the production in the process area are managed by M. Subba Reddy – Director. CBIPL is engaged in manufacturing alcohol spirit. The company has an installed capacity of 75 kilolitre per day for grain-based ENA and has a captive power plant of 2.5 MW. The manufacturing unit is situated at Krishna (District) of Andhra Pradesh. CBIPL successfully installed ethanol plant/ that commenced operation from H1FY24, and it has been supplying to oil marketing companies (OMCs) from October 2023. However, no fix off-take agreement has been signed with them.

Standalone:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	Q1FY25 (UA)
Total operating income	178.53	213.21	N.A.
PBILDT	12.15	14.93	N.A.
PAT	4.85	6.14	N.A.
Overall gearing (times)	0.37	0.85	N.A.
Interest coverage (times)	5.41	4.70	N.A.

A: Audited UA: Unaudited N.A. Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable**Any other information:** Not applicable**Rating history for last three years:** Annexure-2**Detailed explanation of covenants of rated instrument / facility:** Annexure-3**Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash credit		-	-	-	22.50	CARE BBB-; Stable
Fund-based - LT-Term loan		-	-	07-12-2026	11.78	CARE BBB-; Stable
Non-fund-based - ST-Bank guarantee		-	-	-	0.90	CARE A3

Annexure-2: Rating history for 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	11.78	CARE BBB-; Stable	-	1)CARE BBB-; Stable (07-Nov-23)	1)CARE BBB-; Stable (28-Feb-23)	1)CARE BBB-; Stable (21-Mar-22) 2)CARE BBB-; Stable (06-Apr-21)

2	Fund-based - LT-Cash credit	LT	22.50	CARE BBB-; Stable	-	1)CARE BBB-; Stable (07-Nov-23)	1)CARE BBB-; Stable (28-Feb-23)	1)CARE BBB-; Stable (21-Mar-22) 2)CARE BBB-; Stable (06-Apr-21)
3	Non-fund-based - ST-Bank guarantee	ST	0.90	CARE A3	-	1)CARE A3 (07-Nov-23)	1)CARE A3 (28-Feb-23)	1)CARE A3 (21-Mar-22) 2)CARE A3 (06-Apr-21)

LT: Long term; ST: Short term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Fund-based - LT-Term loan	Simple
3	Non-fund-based - ST-Bank guarantee	Simple

Annexure-5: Lender details

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

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

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Analytical Contacts Karthik Raj K Director CARE Ratings Limited Phone: +91-80-4662-5555 E-mail: karthik.raj@careedge.in Niraj Thorat Assistant Director CARE Ratings Limited Phone: +91-40- 4010 2030 E-mail: Niraj.Thorat@careedge.in Purva Budhbhatti Lead Analyst CARE Ratings Limited E-mail: Purva.Budhbhatti@careedge.in
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About us:

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