

## Crux Bioethanol India Private Limited (Revised)

September 10, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	220.00	CARE BB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to Crux Bioethanol India Private Limited (CBEIPL) factors in the positive industry prospects towards ethanol plant per ethanol blended petrol (EBP) programme by Government of India (GOI), favourable location of plant for sourcing of raw material, long-term off-take agreement signed by CBEIPL with oil manufacturing companies (OMCs) for its partial plant capacity, project location advantage due to its proximity to OMC depots, and ample feedstock sources. The rating also factors in established vendors hired for project implementation and the backing of the project by reputed promoters/group.

However, the rating is tempered by project execution, stabilisation, and demand off-take risk for balance capacity.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Completion of the project on time and achieving capacity utilisation levels of 70%.

#### Negative factors

- Delaying project implementation leading to time and cost overrun.
- Changing government policies negatively impacting the company.

#### Analytical approach: Standalone

CARE Ratings Limited (CARE Ratings) has considered standalone approach with support from operational entity, Crux Biotech India Private Limited (CBIPL) as promoters for both entities are common and CBIPL has major shareholding in CBEIPL.

#### Outlook: Stable

The stable outlook reflects CARE Ratings' expectation that CBEIPL will complete the project by deriving strength from its promoters' vast experience.

### Detailed description of key rating drivers:

#### Key weakness

#### Project implementation risk, though execution ahead of schedule

The project cost was estimated at ₹292.58 crore and was envisaged to be funded by term loan of ₹218.50 crore and promoter contribution of ₹74.08 crore at a D:E ratio of 3:1x. Financial closure has been achieved and ₹218.50 crore of debt has been tied-up with State Bank of India. The management has incurred ₹200.94 crore towards the land, civil work, plant & machinery and other equipment, among others, which was funded through term loans of ₹145.21 crore and balance ₹55.73 crore (₹45.89 crore has been invested by CBIPL) through promoter's contribution out of ₹292.58 crore required for the project as on July 31, 2024 (CA Certificate Annexed). The project is running ahead of the schedule and per the latest LIE report as on June 30, 2024, around 85% civil work is completed and progress of total project is 60% (till June 30, 2024, ₹186.05 crore cost was incurred).

Majority of the plant and machineries' orders are placed with reputed sellers and orders for machineries amounting to ₹158 crore has been placed. The project is expected to be completed with commencing operations from April 2025.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

## Key strengths

### Experienced promoters and management in similar line of business

The company is promoted by G. Ravi Chandran – Managing Director, having over 25 years of experience in information technology, civil construction, and in trading liquor. He has more than a decade of experience in liquor trade industry and has developed healthy business relations within the industry. With years of experience, promoters will successfully implement, manage, and execute the project by appointing qualified and experienced personnel as required, specific to the unit, at appropriate stages of implementation and operation.

### Assured off-take agreement with OMCs

Under the EBP programme of the GOI, in September 2021, the company has been shortlisted by OMCs consortium, including Indian Oil Corporation, Bharat Petroleum Corporation Ltd, and Hindustan Petroleum Ltd for supply of Ethanol for the capacity that is being setup. Under the terms of supply, the entity is required to supply around ~36% amount of Ethanol manufactured to the OMCs in accordance with the allocation made. The entity has already signed the long-term off-take assurance (LTOA) with OMCs on July 4, 2024, for an assured quantity of 2.409 crore litre per annum (equivalent of 73 KLPD).

### Favourable project location

The project is at Peddavaram (V), Nandigama (M), NTR (District), Andhra Pradesh (AP), in vicinity of the industrial estate under development by APIIC and presence of several OMCs in AP. Apart from having the flexibility to lift rice from Food Corporation of India (FCI) due to its location advantage, it can also procure grain from nearby areas as the grain cultivation is abundant in the area and whenever there is a price arbitrage benefit observed. The project location is about 20 km away from the highway connecting Hyderabad and Vijayawada. The water requirement is proposed to be met from the Krishna River stream, which is about 1.3 Km from the unit's location.

### Implementation by reputed vendors

The company has placed order of key machineries to Praj Industries, a reputed supplier for supply and commission of the main distillery plant, grain milling system from Fowler Westrup, Cogen Plant from Thermax Babcock & Wilcox Energy Solutions Limited, Pune (A unit of Thermax), and turbine from M/s. Maxwatt Turbomachinery LLP' Bangalore. With years of experience, the promoters will implement, manage, and execute the project successfully by appointing qualified and experienced personnel as required, specific to the unit, at appropriate stages of implementation and operation.

### Rising demand for fuel grade ethanol augmented by government initiatives

India is actively encouraging the setting up of both traditional and second generation (2G) ethanol plants to meet the anticipated rise in demand in 2025 when it expects to launch 20% ethanol-blended gasoline across the country. The Indian government launched 20% ethanol-blended gasoline at select outlets in 11 states in February, two months ahead of the scheduled April 1, 2023, and expects to launch it across the country by FY25-FY26. The project is eligible for government incentives, including interest subvention of ₹20 crore receivable in five years (₹4 crore/year) and capital subsidy of ₹5 crore, which the company will receive after completion of the project. Besides this, the company is also eligible for tax incentives such as 100% SGST reimbursement and 100% electricity duty reimbursement by state government.

### Liquidity: Adequate

The company's liquidity is expected to remain adequate in near future as financial closure has been achieved and disbursement of ₹145.21 crore with infusion of promoters' contribution of ₹55.73 crore as on July 31, 2024. The company will also be securing working capital limits from its existing banker to the tune of ₹25 crore, which will add cushion to its liquidity.

Going forward, the company's liquidity is expected to remain adequate on the back of projected healthy gross cash accruals (GCA) and timely infusion of promoters' contribution as against cost to be incurred and debt repayment obligation in FY26 and FY27.

**Assumptions/Covenants:** Not applicable

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

### Applicable criteria

Definition of Default

Liquidity Analysis of Non-financial sector entities

Factoring Linkages Parent Sub JV Group

Rating Outlook and Rating Watch

Manufacturing Companies

Financial Ratios – Non financial Sector

Project stage companies

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals & Petrochemicals	Commodity Chemicals

CBEIPL was incorporated in December 2021 to set up the greenfield project to produce 200-KLPD grain-based ethanol distillery and 6-MW captive power generation plant for exclusive supply to OMCs under GOI's EBP by utilising feedstock of rice/maize at Peddavaram (V), Nandigama (M), NTR (District), AP. The plant is still under construction phase and is expected to commence operations in April 2025.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	N.A.	N.A.
PBILDT	N.A.	N.A.
PAT	N.A.	N.A.
Overall gearing (times)	N.A.	N.A.
Interest coverage (times)	N.A.	N.A.

A: Audited UA: Unaudited ; N.A.: Not applicable 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-Term Loan	-	-	-	31-03-2035	220.00	CARE BB+; Stable

**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	220.00	CARE BB+; Stable	1)CARE BB+; Stable (24-Apr-24)	-	-	-

LT: Long 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-Term Loan	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

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### About us:

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