

Bharat Plus Ethanol Private Limited

November 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	108.29 (Reduced from 110.00)	CARE B+; Stable	Upgraded from CARE D; Stable outlook assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in the rating assigned to bank facilities of Bharat Plus Ethanol Private Limited (BPEPL) considers BPEPL's satisfactory track record of debt servicing for over 90 days.

The rating assigned to bank facilities of BPEPL continues to remain constrained by project stabilisation risk emanating from nascent stage of operations, profitability being susceptible to volatility of raw material prices and leveraged capital structure. However, the rating continues to derive strength from successful completion of project and commencement of operations, assured partial long term off-take agreement with oil manufacturing companies (OMCs), extensive support of government in ethanol sector in form of incentives and subsidies, favourable demand outlook for ethanol and experience of the promoters in diversified industries.

Rating sensitivities: Factors likely to lead to rating actions

Positive Factors

- Increasing total operating income (TOI) over ₹200 crore and maintaining profit before interest, lease rentals, depreciation and taxation (PBILDT) margins as envisaged on a sustained basis.
- Improving capita structure marked by overall gearing less than 3x on a sustained basis.

Negative Factors

- Lower than envisaged sales owing to untied capacity.
- Declining TOI below ₹120 crore on a sustained basis and moderating PBILDT margin below 10% on a sustained basis.
- Elongation in operating cycle or declining cash accruals leading to liquidity crunch on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects the company's ability to sustain and improve its revenue and liquidity position going ahead and will continue to derive benefit from experience of promoters.

Detailed description of key rating drivers:

Key weaknesses

Project stabilisation risk emanating from nascent stage of operations

The company has recently set up the manufacturing unit of ethanol with an installed capacity to manufacture 100 kilolitres per day. Commercial production started from March 2024 with full-fledged ramp up of operations from May 2024 owing to delay in acceptance of orders by the OMCs. Nascent stage of operations exposes the company to project stabilisation risk. However, considering the experience of promoters in businesses, the risk is mitigated to some extent.

Profitability being susceptible to volatility of raw material prices

With raw material costs accounting for majority overall cost and limited control over selling prices of ethanol, BPEPL's profitability is vulnerable to volatility in raw material (maize) prices. The key raw material being agricultural crop is seasonal, its availability and pricing is affected by factors such as changes in weather conditions including low or high rainfall, and production levels, among others. 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.

Leveraged capital structure

The company's capital structure stands leveraged owing to initial stages of operation post project completion. Project cost of ₹140 crore for setting up the 100 KLPD ethanol plant was financed out of ₹71 crore term loan, ₹5 crore of capital subsidy and the rest has been brought by the promoters in terms of equity and unsecured loan. The company's overall gearing stood at 3.58x as on March 31, 2024. Gearing levels are expected to improve in the near-to-midterm with gradual ramping up of production and repayment of debt and accumulation of profits to reserves.

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

Key strengths

Clear track record of debt servicing

There have been instances of delay in servicing of interest in term loan statement till June 19, 2024. However, post June 19, 2024, there are no delays/ default in debt servicing, as confirmed by lender. Also, BPEPL shared cash credit and term loan statements from July 2024 to September 2024. There are no instances of delays in repayment of interest or instalments for this period.

Successful completion of project and commencement of operations

BPEPL completed its project of setting up ethanol's manufacturing unit with installed capacity to manufacture 100 kilolitres per day. Commercial production started from March 2024 with full-fledged ramp up of operations from May 2024. The company started supplying to OMCs from May 2024 and achieved overall sales of ~₹130 crore till October 20, 2024.

Assured partial long term off-take agreement with OMCs

BPEPL entered a long-term agreement with three government OMCs namely Bharat Petroleum Corporation Limited (BPCL), Indian Oil Corporation Limited (IOCL) and Hindustan Petroleum Corporation Limited (HPCL), where OMCs offer jointly an annual off-take quantity of 35KLPD of ethanol against installed capacity of 100 KLPD for ten (10) years from the date of agreement (January 14, 2022) under ethanol blending program, per ethanol's prevailing rates of decided by OMCs (current rate is ₹71.86 for maize based ethanol). Though the long-term off-take agreement quantity constitutes ~35% of proposed installed capacity, additional capacity can be sold to the OMCs through competitive bidding. Also, given the government's target to reach milestone of mixing 20% ethanol with petrol by 2025-2026, the sale of additional capacity to the OMCs is expected to be achievable.

Extensive support of government in ethanol sector in form of incentives and subsidies

The company is eligible for government incentives including interest cost being borne by government to the extent of 6% for five years, capital subsidy of ₹5 crore (already received after completion of project), monthly employee salary reimbursement up to ₹20000 per month for first five years and ESI, PF Contributions. Further, incentives are also available in the form of reimbursements for SGST, electricity duty, stamp duty, and land conversion fees among others.

Favourable demand outlook for ethanol

Government policies are seen to be principal driver of demand expansion. Other factors such as overall transport fuel demand, costs and specific policy design will also play a major role. With the government targeting to achieve 20% ethanol blending in petrol by 2025, ethanol's demand in coming years looks favourable.

Experience of the promoters in diversified industries

BPEPL is promoted by Ajay Kumar Singh and Rekha Singh. Ajay Kumar Singh is a businessman, contractor, real estate developer and a film producer. He has extensive experience in different businesses. Singh is the founder-promoter of M/s Singh Infratel Private Limited, a fully integrated infrastructure development company specialising in large telecom and civil projects. In 2018, he created a film production house M/s Lovely World Entertainment for making films in Hindi and regional languages. In 2020, he incorporated RDS Agri Private Limited for sale, service and manufacturing agriculture-based products. The company is also engaged in sale and service of escorts tractors.

Liquidity: Stretched

Liquidity is stretched with below unity current ratio, low quick ratio and low cash and bank balances of ₹0.07 crore as on March 31, 2024. The company has sanctioned cash credit limit of ₹11.93 crore and average utilisation stood at ~90% (as articulated by the banker). Further, the company reported negative cash flow from operations at ₹11.15 crore in FY24). Going forward, considering ramp up in scale of operations, the company is expected to generate sufficient cash accruals to meet its debt repayment obligations.

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](#)

[Policy on Curing Period](#)

About the company and industry

Industry classification

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

BPEPL was set up in June 2021, in Buxar, Bihar. The company has set-up a green-field project of grain-based distillery plant to produce fuel grade ethanol for supplying to OMCs such as BPCL, and HPCL among others. The company is producing ethanol by using corn maize. Commercial production started from March 2024 (with ramp up of operations from May 2024). The plant is set up in 20 acres of land area and has installed capacity of 100 Kilo Litre Per Day (KLPD).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	0.00	0.05	97.30
PBILDT	0.00	-1.88	NA
PAT	0.00	-2.87	NA
Overall gearing (times)	1.15	3.58	NA
Interest coverage (times)	0.00	NM	NA

A: Audited, NM: Not meaningful, UA: Unaudited, NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: CRISIL Ratings has conducted the review on the basis of best available information and has classified BPEPL as "Not cooperating" vide its press release dated September 23, 2024. The reason provided by CRISIL Ratings is non-furnishing of requisite information for monitoring of ratings and non-submission of NDS for the last three months.

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		-	-	-	39.00	CARE B+; Stable
Fund-based - LT-Term Loan		-	-	January 2032	69.29	CARE B+; 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	69.29	CARE B+; Stable	1)CARE D (25-Jun-24)	1)CARE BB+; Stable (07-Jul-23)	1)CARE BB; Stable (26-Jul-22)	-
2	Fund-based - LT-Cash Credit	LT	39.00	CARE B+; Stable	1)CARE D (25-Jun-24)	1)CARE BB+; Stable (07-Jul-23)	-	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instrument/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

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.

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