

Press Release
SHREEBALAJI BIOSOLUTIONS FUELS LLP
May 23, 2024



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Loan Ratings	26.09	ACUITE BB Stable Assigned	-
Bank Loan Ratings	106.82	ACUITE BB Stable Reaffirmed	-
Bank Loan Ratings	5.00	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	137.91	-	-

Rating Rationale

Acuité has reaffirmed its long-term rating of '**ACUITE BB**' (read as **ACUITE Double B**) on the Rs. 106.82 Cr. bank facilities of Shreebalaji Biosolutions Fuels LLP (SBF LLP). The outlook is '**Stable**'.

Acuité has assigned the long-term rating of '**ACUITE BB**' (read as **ACUITE Double B**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 31.09 Cr. bank facilities of Shreebalaji Biosolutions Fuels LLP (SBF LLP). The outlook is '**Stable**'.

Rationale for reaffirmation

The rating reaffirmation considers the completion of plant construction in September 2023 and the commencement of manufacturing of ethanol in October 2024. The firm achieved a turnover of ~Rs. 84.33 Cr. in FY2024. The rating further considers the experienced management and long term off-take agreements with the (Oil marketing companies) OMC's. However, the rating is constrained by a below-average financial risk profile and intensive working capital operations.

About the Company

Shreebalaji Biosolutions Fuels LLP (SBF LLP) is a limited partnership firm headquartered in Madhya Pradesh and was incorporated in 2021. The firm was set up to manufacture ethanol from maize and broken rice. The firm supplies ethanol to the OMCs in the nearby vicinity. The firm is managed by the partners, Mr. Manish R. V. Singh and Mr. Madhav Mittal. The operations started in October 2023. The total installed capacity of ethanol is 40800 KLR per annum, and DDGS (Dried Distillers Grain Solids) is 13600 MT per annum.

Unsupported Rating

Not applicable

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of SBF LLP to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management with a secured offtake agreement with OMC's
SBF LLP was started by Mr. Manish R.V.Singh and Mr. Madhav Mittal, who have experiences

in versatile industries for more than two decades. The firm is headquartered in Madhya Pradesh and was incorporated in 2021. The firm is engaged in the manufacturing of ethanol from maize and broken rice. The construction was completed in September 2023, and manufacturing started in the month of October 2023. The total installed capacity of ethanol is 40800 KLR per annum, and DDGS (Dried Distillers Grain Solids) is 13600 MT per annum. The firm has already entered into an off-take agreement with OMC's for a term of 10 years. The agreement hosts a purchase commitment of 2.31 Cr. liters of ethanol per year from the firm. Additionally, the agreement stipulates that the OMC's shall pay the value of the order received from SBF within 21 days from receipt of the delivery of ethanol. Acuite believes that SBF's strong management will benefit the firm over the long term. Further, secured off-take has mitigated the supply risk and demand risk to a certain extent, and this will help the firm in the nascent years to establish itself in the industry.

Commencement of operations with moderate capacity utilisation.

The construction of the plant was completed in September 2023 and manufacturing of ethanol was started in the month of October 2023. The firm achieved a turnover of Rs.83.47 Cr. in FY2024 (E) with an operating margin of 13.36 percent and a PAT margin of 6.19 percent. Further, the firm has outstanding order book of Rs.39.00 Cr. to be completed by the first quarter of FY2025.

The total installed capacity of ethanol is 40800 KLR per year and DDGS (Dried Distillers Grain Solids) is 13600 MT per year. Further, the firm achieved 54.82 percent and 80.94 percent of capacity utilisation for ethanol and DDGS respectively for 6MFY2024.

Acuite believes that the scale of operations will improve strongly over the medium term, supported by further improvement in capacity utilisation.

Favourable regulatory regime

The Government of India has been encouraging the EBP program so much that it has scaled up the targets of blending from 10% to 20%. The timeline to achieve the 20% blending has been set for 2030. To facilitate the achievement of new blending targets, a "grid" which networks distilleries to OMC depots and details quantities to be supplied has been worked out. State-wise demand profile has also been projected, keeping in view distances, capacities and other sectoral demands. Thus, SBF is likely to benefit from the Government's active participation in the EBP programme since it is located at a distance of 6 kilometres from the nearest OMC depot. Acuite believes that the industry scenario is likely to remain conducive over the medium term, thereby leading to quick stabilisation of operations. On the flip side, with an increase in the number of manufacturers, the competitive pressures may exert pressure on projected profitability levels.

Weaknesses

Below -average financial risk profile

The financial risk profile of the firm is below -average, marked by high gearing (debt to equity ratio), moderate net worth, and debt protection metrics. The tangible net worth of the firm stood at Rs.11.45 Cr as of March 31, 2023. The partner's infused capital is Rs.7.23 Cr in FY2024, and its net worth is estimated to be Rs.22.55 Cr. The total debt of Rs.76.05 Cr consists of longterm loan availed from the State Bank of India. In FY2024, the remaining amount of the term loan of Rs.30.76 Cr was disbursed. The total debt stands at Rs.126.50 Cr including long term and short term debt as on March 31, 2024. The gearing ratio stood at 6.64 times as of March 31, 2023. Further, TOL/TNW stood at 6.68 times as of March 31, 2023. The debt protection metrics are moderate, with an estimated Interest coverage ratio (ICR) of 1.85 times and Debt service coverage ratio (DSCR) of 1.63 times as of March 31, 2024.

Acuite believes that the financial risk profile of the company continues to be below -average as the firm is in the initial phase of operations.

Intensive working capital operations

The firm's working capital operations are intensive in nature, with an estimated GCA of 132 days as of March 31, 2024. The inventory and debtor days are estimated at 44 days and 35 days, respectively as of March 31, 2024. The firm procures the raw materials from traders and mills (open markets) across states like Uttar Pradesh, Bihar, West Bengal, and Madhya Pradesh. The payment is made within 7-15 days. The payments from the OMC's will be

received within 21 days from the date of billing. The creditors' days are estimated at 32 days as of March 31, 2024. Further, the average bank limit utilisation for fund-based facilities stood at 78.32 percent for the last 5 months ended March 2024.

Acuite believes that the firm's working capital operations will remain in similar range over the medium term.

Rating Sensitivities

- Higher-than-expected Improvement in the scale of operations and profitability as envisaged.
- Sustainable improvement in working capital cycle and leverage position of the firm.
- Any deterioration in liquidity profile of the firm.

Liquidity Position: Adequate

The firm's liquidity position is adequate, with a moderately high utilization of fund based working capital limits. The net cash accruals for FY2024 are estimated at Rs.3.87 Cr. The term loan repayment starts on 01.07.2024. Further, Acuite expects that the firm will generate sufficient net cash accruals against its current maturities of long-term debt in FY2025. Unencumbered cash and bank balances stood at Rs.0.13 Cr in FY2023 and are estimated to be at Rs.2.55 Cr in FY2024. The fund-based bank limit utilisation stood moderately high at 78.32 percent for the five months ended March 2024.

Acuite believes that the firm's liquidity position will remain adequate over the medium term on account of sufficient NCA generation.

Outlook: Stable

Acuité believes the outlook on SBF will remain 'Stable' over the medium term on the back of long-standing experience of the management with a secured offtake agreement with OMC's and commencement of operations with moderate capacity utilisation. The outlook may be revised to 'Positive' if the company is able to generate high than expected revenues and profitability with improvement in the leverage ratios. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower than-expected revenues and profitability or any significant stretch in its working capital management or any deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	0.00	(0.07)
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	6.64	0.00
PBDIT/Interest	Times	0.00	(49.16)

Status of non-cooperation with previous CRA (if applicable)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Apr 2024	Term Loan	Long Term	106.82	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
01 Feb 2023	Term Loan	Long Term	106.82	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A4+ Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	24.00	ACUITE BB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.09	ACUITE BB Stable Assigned
State Bank of India	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE BB Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	08 Aug 2022	Not avl. / Not appl.	30 Jun 2032	Simple	106.82	ACUITE BB Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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