

## Press Release

### Hayati Beverages Private Limited

March 24, 2023

### Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	182.00	ACUITE BB   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	182.00	-	-

### Rating Rationale

Acuite has assigned the long-term rating of 'ACUITE BB' (read as ACUITE double B) on the Rs. 182.00 Cr bank facilities of Hayati Beverages Private Limited (HBPL). The outlook is 'Stable'.

### Rating Rationale

The rating reflects the company's exposure to significant project execution risk related to its ongoing project, management's inadequate experience in the distillery industry and expected leveraged capital structure. These weaknesses are offset by the easy availability of raw materials in close proximity, positive industry outlook buoyed by support from the government. The rating also draws comfort in absence of any offtake/demand risk.

### About the Company

Hayati Beverages Private Limited (HBPL) was incorporated on 29 August 2020 to set up 180 KLPD grain based bio-ethanol manufacturing facility along with 5 M.W. Captive Power Generation Plant under EBP (Ethanol Blended Petrol) programme launched by Govt. of India under National Biofuels Policy 2018.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of HBPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

#### Secured Off-take along with healthy demand potential for ethanol

The company has negligible off take or demand risk, as under the Ethanol Blending Program (EBP) of India, the company has entered into a long-term offtake agreement with oil marketing companies (OMCs) namely Bharat Petroleum Corporation Limited (BPCL), Indian Oil Corporation Limited (IOCL) and Hindustan Petroleum Corporation Limited (HPCL) to supply 5.28 crore litres per annum grain-based Ethanol for a period of nine years. HBPL's ability to execute the supply of ethanol will be a key rating monitorable.

The long-term demand outlook of ethanol and biofuel remain favourable on the back of a significant demand-supply gap, along with the Government's focus on reducing crude oil import dependency. Further, with the Central Government's aim to achieve 20 per cent ethanol blending target by 2025, the demand for ethanol is likely to continue.

### **Easy availability of raw material**

The plant has easy access to raw materials like rice, broken rice, maize, etc due to close proximity of rice mills in Chhattisgarh, commonly referred as the "Rice Bowl of India". Further, HBPL has made arrangements to procure surplus rice from Food Corporation of India (FCI).

### **Weaknesses**

#### **Expected leveraged capital structure**

The company's capital structure is expected to remain below average marked by low networth base and high gearing over the medium term. The tangible net worth of the company improved to Rs.3.97 Cr as on 31st March, 2022 as compared to Rs.0.01 Cr as on 31st March 2021 due to infusion of capital by the promoters. Further, the promoters have infused additional capital of Rs.11.05 Cr till 9MFY23. Gearing of the company will increase and is expected to remain at high levels in the medium term as the company plans to avail long term facility from bank for its pending construction, plant and machinery purchase and installation. The total cost of project is Rs.226.71 Cr which is to be funded partly through Rs.182 Cr term loan from Sate Bank of India, and remaining Rs.44.71 Cr from promoter's contribution. The financial closure has been achieved. the company has incurred Rs.77.83 Cr till Feb'23, partly funded by term loan of Rs.62.75 Cr. and remaining through promoter's funding of Rs.15.02 Cr. The promoters are resourceful and will infuse any incremental funding requirement if the situation arises. Acuité believes that going forward the financial risk profile of the company is expected to be below average due to leveraged capital structure over the medium term

#### **Exposure to implementation risk due to early stages of project development**

HBPL is scheduled to commence its commercial operation from 31st March 2024 and has already purchased the land and have incurred ~34 per cent of total project cost till February,2023. The company is exposed to execution risk as ~66 per cent of the project cost is yet to be incurred. Ability to execute the project in a timely manner with no cost or time overruns and early stabilization of the project are key credit sensitivities. Acuité would continue to monitor the project progress, and the track record of operations, once commercialised, and take rating actions appropriately. The scheduled time for completion of the project is 31st March 2024. Acuité believes that the timely completion of the project at the envisaged cost would be a key monitorable.

### **Rating Sensitivities**

- Timely completion of the project without any cost or time overrun
- Timely stabilisation of operations

### **Material covenants**

None.

### **Liquidity Position Adequate**

The company's adequate liquidity position is expected to support debt servicing in the near-to-medium term on account of presence of escrow accounts to ensure timely repayment. Furthermore, as per the sanction term three month's DSRA is to be created before start of repayment i.e. September 2024. Net cash accrual is expected to be adequate, post completion too. The promoters are expected to infuse equity and unsecured loans to support the business. However, timely implementation of the project and generation of expected cash accrual will be key rating sensitivity factors.

### **Outlook: Stable**

Acuité believes that HBPL will maintain a 'Stable' outlook on the basis of the positive outlook in the ethanol industry. The outlook may be revised to 'Positive' in case of timely stabilisation of operations. Conversely, the outlook may be revised to 'Negative' in case of slippages in project execution, significant cost over-run resulting in deterioration in the liquidity and leverage position on a prolonged basis.

**Other Factors affecting Rating**

None.

**Key Financials**

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	0.00	0.00
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.12	5.00
PBDIT/Interest	Times	0.00	0.00

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

None.

**Any other information**

None.

**Applicable Criteria**

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <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](http://www.acuite.in).

**Rating History :**

Not Applicable

### 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 Applicable	Term Loan	Not available	Not available	Not available	Simple	182.00	ACUITE BB   Stable   Assigned

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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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