

Press Release
HAYATI BEVERAGES PRIVATE LIMITED
June 17, 2024



Rating Reaffirmed

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

Rating Rationale

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

Rationale for the rating

The rating reflects the company's exposure to stabilisation risk in the initial phase of operations of its 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 draws comfort from the promoter's flexibility to infuse funds and the working capital limit that has been sanctioned.

About the Company

Hayati Beverages Private Limited (HBPL) was incorporated on 29th August 2020 and is engaged in manufacturing of Bio-Ethanol (Fuel) and Technical Alcohol .The Company has set up 180 kilo litre per day grain based bio-ethanol manufacturing facility along with 5 Mega Watt Captive Power Co-Generation Plant under Ethanol Blended Petrol(EBP) programme launched by Govt. of India under National Biofuels Policy 2018. The company has executed Memorandum Of Understanding (MOU) with State Govt. of Chhattisgarh dated 09th November, 2020 to avail all the support for establishment of the above plant. The company has received the In-principal approval from Department of Food & Public Distribution (DFPD) for Interest subvention on the financial loan received from banks/financial institutions. The Company is based out of Bilaspur, Chhattisgarh and is managed by Mr. Kamaljeet Arora, Mr. Pushkal Arora, Mr. Manoj Kumar Agarwal, Mr. Amit Agrawal, Ms. Priya Arora and Mr. Gaurav Agarwal as its directors.

Unsupported Rating

Not Applicable.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Hayati Beverages Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Experienced promoters

HBPL is backed with two strong promoter families – Agarwal family who promote Nandan Group of companies and Arora family who has 30+ years of experience in agriculture sector.

The Agarwal family would bring in the steel manufacturing experience and the Arora family has good social and business connect with farmers, traders, paddy millers. The manufacturing and plant handling is being conducted by Agarwal family and the procurement of raw materials (starch-based grains like Rice, Broken Rice) and grain handling and feedstock quality would make the most of Arora's family. This synergy between the two families would support the business risk profile over the medium term.

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) for a period of nine years upto Rs 20 Cr.

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". The Company also expects to procure maize from National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED). Acuite believe that the proximity to the source of raw materials provides a competitive edge for the company.

Weaknesses

Exposure to stabilisation risk due to early stages of project

HBPL is scheduled to commence its commercial operation from July 2024. Acuite would continue to monitor the status of stabilization of the project and the track record of operations, once commercialised. Acuite believes that the timely stabilization of the project coupled with healthy off-takes by OMC's would be a key monitorable.

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 adjusted tangible net worth of the company improved to Rs.43.69 Cr. in FY2024 (Provisional) as compared to Rs.15.09 Cr. in FY2023 due to infusion of capital by the promoters as well as unsecured loans being treated as part of quasi equity of Rs.28.67 Cr. This is because such unsecured loans are subordinated to bank loans. The adjusted gearing is 4.17 times as on March 2024(Provisional). Gearing of the company will increase and is expected to remain at high levels over the medium term due to expected working capital funding to be availed by the Company (sanction of Rs. 31.5 Cr. received) and small accretion to reserves in initial phase of operations. The debt protection metrics are also expected to remain below average over the medium term. The promoters are resourceful and will infuse any incremental funding requirement on need basis. Acuite believes that going forward the financial risk profile of the company is expected to be below average due to leveraged capital structure and below average debt protection metrics over the near to medium term in the initial phase of operation.

Rating Sensitivities

- Timeliness in infusion of unsecured loans
- Timely stabilisation of operations
- Improvement in financial risk profile

Liquidity Position

Adequate

The company has adequate liquidity as reflected from financial flexibility of promoters to infuse

funds in the project from time-to-time. Furthermore, the net cash accruals are expected to be low over the near term. So, any shortfall in meeting the debt repayment would be fulfilled by bringing in unsecured loans in the business. The Company is also maintaining a deposit of 3-4 months repayment of interest and instalments in the bank created from the proceeds received under interest subvention scheme from the Government, so any shortfall in payment would be met out of it. The company has also received a sanction of working capital limit of Rs. 31.5 Cr. in June 2024 which is expected to fund its day-to-day operations. However, timely stabilisation of the project and generation of optimum 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 and improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lesser than expected off-takes from OMC's, in deterioration in the liquidity and leverage position on a prolonged basis.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (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	4.17	4.80
PBDIT/Interest	Times	0.00	0.00

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
24 Mar 2023	Term Loan	Long Term	182.00	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.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Aug 2031	Simple	182.00	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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