



Press Release
TRUALT BIOENERGY LIMITED
June 14, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	760.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	874.00	ACUITE BBB Stable Reaffirmed	-
Issuer Rating (IR)	0.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	1634.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE Triple B**) on Rs 874 Cr. bank facilities for Trualt Bioenergy Limited (TBL). The outlook is '**Stable**'.
Acuite has reaffirmed its long-term issuer rating of '**ACUITE BBB**' (read as **ACUITE Triple B**) for Trualt Bioenergy Limited (TBL). The outlook is '**Stable**'.
Further, the Acuite has assigned its long-term rating of '**ACUITE BBB**' (read as **ACUITE Triple B**) on Rs 760 Cr. bank facilities of Trualt Bioenergy Limited (TBL). The outlook is '**Stable**'.

Rationale for Rating

The rating reaffirmed factors in the established track record and experience of management in ethanol industry along with management's intent to run its ethanol business separately from the sugar business of the group. The rating derives strength from the geographic advantage that the company receives by operating as a single largest unit in the state of Karnataka and ample resource availability in the catchment area. The capacity will be increased to 2000 KLPD in October 2024 from the current capacity of 1400 KLPD, further company is planning for an attached multi feed distillery of 1000 KLPD and additional dustillery of 750 KLPD by the end of FY 2026.

The rating also favourably factors in the increase in scale of operations though short of projections. The company has achieved a revenue of Rs 1225.44 Cr. in FY 2024 (Prov) against Rs 768.32 Cr. in FY 2023. Further, operating margins of the company improved and stood at 17.65% in FY 2024 (Prov) as against 13.78% in FY 2023. The business risk profile of the company is expected to remain strong driven by huge supply and demand gap for ethanol in India and no risk related to off-take with a yearly contract with OMCs at the time of tender opening every year in the month of August-September. Further, the fluctuation in ethanol prices are lower as the prices are linked to the inputs used for production and also there is a differential pricing for the type of raw material used. Further, the government of India has introduced may reforms time and again in favour of industry with interest subvention schemes, lower GST rates, etc. The rating also factors in the easy availability of raw materials like sugarcane syrup and molasses from its group companies who are into the manufacturing of sugar with a total crushing per day capacity of 76,000 tonnes and there is a business understanding between the companies with respect to supply of raw materials. Further, the raw material can also be procured from the other sugar factories in the Karnataka as out of the total 72 sugar factories in the state only 32 are having distillery units.

However, the above mentioned strengths are partly offset by the moderate financial risk profile with high gearing of 2.79 times as on March 31, 2024 (Prov) as against 2.31 times as on March 31, 2023. Further, with the expansion plan of the company financial risk profile is expected to remain moderate over the medium term and also completion of capex without any cost and time overruns is a rating monitorable. Further, working capital operations of the company remain intensive with high GCA days of 196 days in FY 2024 (Prov) as against 222 days in FY 2023 as receivable are little stretched in FY 2024 (Prov) with 96 days.

Also, with the expansion plans of the companies, the raw materials from the existing group companies with existing capacity may not be sufficient and the procurement of major raw material from outside may impact the operational efficiencies.

About the Company

Karnataka-based, Trualt Bioenergy Limited was incorporated on 31/03/2021 to carry on distillery such as Ethanol, RS, ENA, etc. and the company has started its commercial operation from October 2022 after the Business Transfer Agreement. The company is engaged in the manufacturing of distillery products such as Ethanol, RS, ENA etc. The present directors of the company are Mr. Vijay Kumar Nirani, Mr. Vishal Nirani and Mr. Chandrasekhar Kanekal. MRN Group includes of five companies namely Nirani Sugars Ltd, Sri Sai Priya Sugars Ltd, MRN Cane Power India Ltd (MRN Canepower & Biorefineries Pvt Ltd merged), Badami Sugars Ltd, Shree Kedarnath Sugar and Agro Products Ltd. Further, the group has acquired 2 operational sugar units in February 2023 namely MRN Chamundi Canepower and Biorefineries Pvt Ltd and MRN Bhima Sugar and Power Pvt Ltd.

TBL's current capacity is carved out of the distillery units of Nirani Sugars Ltd with a capacity of 700 KLPD, Sri Sai Priya Sugars Ltd with capacity of 500 KLPD and MRN Cane Power India Ltd with capacity of 200 KLPD under Business Transfer Agreement and all the assets and liabilities with respect to distillery units are transferred. The company's total capacity is 1400 KLPD and will be increased to 2000 KLPD by October 2024.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced Management; Healthy Business Risk Profile

The management of the company has a past experience in this line of operations through its group companies from where distillery business is now carved out. The Trualt Bioenergy Ltd is one of the few companies having only distillery unit (and not sugar manufacturing attached to it) and this carving out of the profitable business by group companies will lead to increase in operations of the company as the distillery offers higher and stable profit compared to sugar business.

The revenue of the company though increased but is short of projections and stood at Rs 1225.44 Cr. in FY 2024 (Prov) as against Rs 762.38 Cr. in FY 2023.

The main reason for the actual revenue being less than projected is late start of the season due to delayed rainfalls in Karnataka. However, the spill over was there and company has achieved a revenue of Rs 512 Cr. till May 2024. Further, the revenue is expected to increase in medium term with an expansion plans of the company with additional 600 KLPD by October 2024, attached multi feed distillery of 1000KLPD by end of FY 2025 and 750 KLPD by FY 2026. Further, the operating margins improved and stood at 17.65% in FY 2024 (Prov) as compared to 13.78% in FY 2023 as ethanol and ENA is high profit fetching product.

Further, the company does not face any off-take risk as the contracts with OMCs are executed for a year at the time of opening of tender in the month of August and September for Ethanol Supply Year i.e. From December to November. Further, the fluctuation in ethanol prices is very minimal as pricing is linked to the cost of input and also the prices of ethanol are differential on the basis of input used for production.

Acuite believes that scale of operations of TBL may increase significantly in near to medium term backed by huge demand and additional capacity expansion plans of the company to support such demand.

Strong demand push; to augur well for the business risk profile

India has high dependence on oil imports to meet its energy consumption requirement which created a potential opportunity of producing ethanol domestically, hence the Govt. of India (GoI) has introduced Ethanol Blending Programme (EBP) of blending the ethanol with gasoline to reduce its oil import. The EBP and ethanol sector has achieved a tremendous growth with introduction of various reforms by GoI time and again. However, there is still a long way to go as against the target of 20% blending level by 2025, only 10% blending levels are achieved till FY 2022.

Indian ethanol market is expected to grow by healthy CAGR of 31% between 2023-26 backed by the huge supply and demand gap for ethanol in India. The current ethanol production capacity in the country for ethanol blending with petrol and other uses is about 947 Cr. litres (which includes 619 crore litres of molasses based production capacity and 328 crore litres of grain based production capacity). Against the required capacity by FY 2026 of 1500 Cr litres for 20% blending and other uses. Further, expecting the growth rate in vehicle segment of around 8-10% and pegging the same with ethanol demand, demand is expected to increase over the period of time. The company wants to capture this opportunity by increasing its capacity to 3750 KLPD by FY 2025 (including 1000 KLPD grain based capacity) and aspire to become the Asia's largest ethanol producer.

Weaknesses

Working Capital Intensive Operations

The working capital operations of the company are intensive marked by decreasing but high GCA days of 196 days in FY 2024 (Prov) as against 222 days in FY 2023. The GCA days are majorly constituted by high inventory and receivable days. The inventory days are on higher side as the crushing season for the sugar industry is October to March wherein to operate the distillery after the end of crushing season they have to maintain the stock of molasses resulting on high inventory levels. The inventory days of the company stood at 55 days in FY 2024 (Prov) as against 85 days in FY 2023. Further, debtor days stood at 96 days in FY 2024 (Prov) as against 41 days in FY 2023. The increase in debtor days are majorly due to high revenue recorded for the month of March even though the bills raised on OMCs are cleared by them within a 45 days of time period. The creditors day stood at 39 days in FY 2024 (Prov) as against 218 days in FY 2023. The company has availed a short term bank finance of Rs 300 Cr as Cash Credit in February 2024 to meet its working capital requirement. The average utilization stood at 75% for last 4 months ended May 2024.

Acuite believes that working capital operations of the company is likely to remain intensive considering the seasonal nature of industry wherein raw material need to be maintained for an off-season production.

Moderate Financial Risk Profile

The financial risk profile of the company remains moderate with moderate net worth, moderate gearing and debt protection metrics. The tangible net worth of the company stood at Rs 482.55 Cr. as on March 31, 2024 (Prov) as against Rs 374.36 Cr. as on March 31, 2023. The increase in networth is majorly due to accretion of profits to reserve and increase in preference share capital. The company has converted its CCPS of Rs 469.19 Cr. into equity on May 2024 and hence, the same has considered as a part of networth for FY 2023 and FY 2024. With the ongoing capex for an additional distillery units the company's financial policy is moderately aggressive, the gearing (debt-equity) remains moderate and stood at 2.79 times as on March 31, 2024 (Prov) and TOL/TNW stood at 3.33 times as on March 31, 2024 (Prov) against 2.31 times 3.55 times respectively as on March 31, 2023. The debt/equity deteriorated due to loan availed by the company for the capex of 600 KLPD and short term borrowings availed by the company in FY 2024. The company is planning an expansion of grain based distillery unit of 1000KLPD and is also planning an expansion in ethanol manufacturing by another 700 KLPD by FY 2025 & FY 2026. The capex will be partly funded by debt and partly by internal accruals. Hence, factoring in the additional expansion plans, leverage indicators are expected to remain moderate over the medium term.

Further, the coverage indicators stood moderate with DSCR and ICR stood at 1.19 times and 1.80 times as on March 31, 2024 (Prov) as against 2.59 times and 2.98 times respectively as on March 31, 2023. The coverage indicators are expected to remain moderate in near to medium term backed by steady cash accruals to repay its debt obligation. Acuite believes that financial risk profile of the company may continue to remain moderate with debt funded capex plan and steady cash accruals and infusion of equity.

ESG Factors Relevant for Rating

The Company has made prudent investments in technologies in its ethanol units, which will help them in enhancing operating efficiency and environment responsibility. Further, as per the requirement of proper waste management of the ethanol industry, the company has a CO2 plant attached to it for converting that into liquid and also has a proper liquid waste management mechanism. The Company focuses on environment responsibly through proactive investments that have incinerated waste, moderated water consumption, recycled effluents discharge and gainfully utilized byproducts. The company has installed zero discharge facilities at their units for the treatment of all liquid effluents. Further, the company has taken the initiatives of growing a tree in and around their manufacturing plants. From the social responsibility point of view, company is providing its employee safety and health training. And is also taking initiative in the form of medical policies for employees as well as doing eye check up camps and skill development programmes.

Rating Sensitivities

- Completion of expansion without any cost and time overruns.
- Any deterioration in financial risk profile.
- Increase in scale of operations and profitability.

Liquidity Position

Adequate

The liquidity position of the company is an adequate as the company has generated sufficient net cash accruals to repay its debt obligations. The company has generated a net cash accruals of Rs 124.31 Cr. in FY 2024 (Prov) as against maturing debt repayment obligation of Rs 79.77 Cr. during the same tenure. Further, the company is expected to generate sufficient cash accruals to repay its debt obligation in near to medium term. The company has recently availed a cash credit limits of Rs 300 Cr. in February 2024 and average utilization for last 4 month ended May 2024 stood at 75% reflecting moderate dependence on short term bank borrowings.

Acuite believes that liquidity position of TBL is likely to remain adequate with steady cash accruals and moderate reliance on short term bank finance.

Outlook: Stable

The outlook on TBL will continue to remain 'stable' over a medium term backed by significant demand and expected increase in scale of operations with increase in capacity. The rating outlook may be revised to 'Positive' in case of sustainable growth in revenues while increasing its profitability and able to achieve operational efficiencies with timely execution of expansion plans and efficient working capital management. Conversely, the outlook may be revised to 'Negative' if the financial risk profile deteriorates with additional debt funding and expansion is not completed as per the plan and there is time and cost overrun and resulting in stretch of liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	1225.44	762.38
PAT	Rs. Cr.	68.66	35.46
PAT Margin	(%)	5.60	4.65
Total Debt/Tangible Net Worth	Times	2.79	2.31
PBDIT/Interest	Times	1.80	2.98

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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
29 Sep 2023	Issuer Rating	Long Term	0.00	ACUITE BBB Stable (Assigned)
11 Aug 2023	Proposed Long Term Bank Facility	Long Term	39.69	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	250.04	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	584.27	ACUITE BBB 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.	Cash Credit	06 Jan 2024	Not avl. / Not appl.	Not avl. / Not appl.	Simple	300.00	ACUITE BBB Stable Assigned
Not Applicable	Not avl. / Not appl.	Issuer Rating	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.00	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.60	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	87.32	ACUITE BBB Stable Assigned
Indian Renewable Energy Development Agency Ltd. (IREDA)	Not avl. / Not appl.	Term Loan	30 Dec 2022	Not avl. / Not appl.	31 Mar 2031	Simple	315.00	ACUITE BBB Stable Reaffirmed
Indian Renewable Energy Development Agency Ltd. (IREDA)	Not avl. / Not appl.	Term Loan	30 Dec 2022	Not avl. / Not appl.	31 Mar 2030	Simple	555.40	ACUITE BBB Stable Reaffirmed
Indian Renewable Energy Development Agency Ltd. (IREDA)	Not avl. / Not appl.	Term Loan	23 Jan 2024	Not avl. / Not appl.	31 Mar 2031	Simple	135.00	ACUITE BBB Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	06 Jan 2024	Not avl. / Not appl.	31 Mar 2030	Simple	237.68	ACUITE BBB 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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