



Press Release

Ambashakti Bio Energy Private Limited

October 24, 2024

Rating

Security/ Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	147.00	IVR BBB-/ Stable (IVR Triple B minus with Stable outlook)	-	Assigned	Simple
Total	147.00 (Rupees one hundred and forty-seven crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The rating assigned to the bank facilities of Ambashakti Bio Energy Private Limited (ASBEPL) derived comfort from its experienced promoters and locational advantage of its plant. The rating also positively factors in the support from its group companies and favourable policy initiative by the government for upliftment of the Ethanol industry. However, these rating strengths remain constrained due to exposure to project implementation and stabilization risk, exposure to government regulations and unavailability of long-term offtake agreement and susceptibility of operating margin to volatile raw material prices. The stable outlook reflects expected on time completion of the project with expected satisfactory flow of revenue.

Key Rating Sensitivities:

Upward Factors

- Timely completion of the project without cost overrun.
- Significant improvement in the scale of operations with improvement in gross cash accruals.
- Improvement in capital structure with improvement in overall gearing

Downward Factors

- Any delay in project implementation or cost overrun.
- Any changes in Government Policies having a negative impact on the operations.
- Inability to achieve break even sales and/or moderation in the capital structure



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Vast business experience of the promoters**

ASBEPL is part of AMBA group which is promoted by Mr. Surender Kumar Goel. The promoters have vast experience of over four decades through their various companies, most of which are engaged in manufacturing of iron and steel products. This has given them a strong understanding of the market dynamics and enabled them to establish healthy relationships with suppliers and customers. However, ethanol distillery is a new avenue for them.

- **Locational Advantage**

The manufacturing facilities of ASBEPL will be in Morena District of Madhya Pradesh. The unit is surrounded by number of rice mills, FCI godowns, sugarcane and other foods grains growing areas which provides easy availability of Grains to run a grain-based distillery. Accordingly, proximity to the source of raw materials & end user market provides a competitive edge. This apart, the area is well connected by road and rail.

- **Support from group companies**

The Amba group is established and resourceful and is expected to support ASBEPL in case of need. Further, group companies (Ambashakti Udyog Limited and Amba Iron & Steel Company) have extended a corporate guarantee to ASBEPL against the bank facilities availed for the ethanol project.

- **Policy initiatives by the Government**

In January 2013, the Union government launched the Ethanol Blended Petrol (EBP) programme, which made it mandatory for oil companies to raise ethanol blending in petrol to 25% by 2025 from the current ~5%. In lieu of the above developments and also given that the government currently does not allow import of ethanol for fuel blending, the outlook appears bright for this industry.

Key Rating Weaknesses

- **Exposure to project implementation and stabilization risk**

The company is setting up a 180 KLPD grain-based Ethanol distillery plant along with 5 MW Co-gen power plant, 73TPD Distillery wet grain soluble and 82.80 TPB fermentation (Co2) unit in Madhya Pradesh. Total envisaged cost of the project is Rs.193.46 crore which



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is to be funded through a term loan of Rs.147.00 crore (financial closure achieved with Yes bank and UCO Bank) and promoters contribution of Rs.46.46 crores. Initially, the plant is expected to be operational from October 2024. However, according to the latest LIE report dated July 26, 2024, the revised Commercial Operation Date (COD) is February 2025 due to delay in financial closure. Moreover, there exists a project stabilization risk post commencement of production.

- **Exposure to government regulations and unavailability of long-term offtake agreement.**

Ethanol production and demand from OMC's are highly dependent on government regulations. This apart, though there is demand mismatch in ethanol supply under petrol blending program, unavailability of long-term offtake agreement with OMCs raises concerns on regular offtake in long run.

- **Susceptibility of operating margin to volatile raw material prices.**

The key raw material for ethanol manufacturing is broken rice grain, maize, sugarcane, corn etc. Availability and prices both are volatile in nature due to presence of agro-climatic risk and cyclicity in the industry.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Criteria on parent and group support.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The company is expected to earn gross cash accrual in the range of Rs. 10.78 crore – 52.75 crores during FY25 – 27 (FY refers to the period from April 1 to March 31) as against debt repayment obligation of Rs.16.46 crore – 24.63 crore yearly from FY 26 onwards. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium



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terms. Moreover, being a part of Amba group the company is expected to receive financial support as and when required.

About the Company

Amba Shakti Bio Energy Private Limited (ASBEPL) was incorporated in January 2022 in South Delhi and is a part of AMBA group. The company is setting up a 180 KLPD grain-based Ethanol distillery plant along with 5 MW Co-gen power plant, 73TPD Distillery wet grain soluble and 82.80 TPB fermentation (Co2) unit in Madhya Pradesh. Total envisaged cost of the project is Rs.193.46 crore which is to be funded through a term loan of Rs.147.00 crore (financial closure achieved with Yes bank and UCO Bank) and promoters contribution of Rs.46.46 crores. The plant is expected to be operational from February 2025. The bank facilities are yet to be disbursed fully. The company has proposed to set up a manufacturing plant at Plot No. 35, 36, Banmore Industrial Area, Banmore, Morena, Madhya Pradesh 476444.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	0.00	0.00
EBITDA	0.00	0.00
PAT	0.00	-0.04
Total Debt	0.00	12.06
Adjusted Tangible Net Worth	2.58	27.20
EBITDA Margin (%)	NM	-161.17
PAT Margin (%)	NM	-1217.52
Overall Gearing Ratio (x)	0.00	0.44
Interest Coverage (x)	-6.81	-1.45

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan	Long Term	147.00	IVR BBB-/Stable	-	-	-



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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	March 2031	147.00	IVR BBB-/Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Ambashakti-BioEnergy-oct24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.