

Rating Rationale

May 28, 2025 | Mumbai

TruAlt Bioenergy Limited

Rating reaffirmed at 'Crisil A-/Stable'; Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.1617 Crore (Enhanced from Rs.538 Crore)
Long Term Rating	Crisil A-/Stable (Reaffirmed)

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings.

The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has reaffirmed its 'Crisil A-/Stable' rating on the long-term bank facilities of TruAlt Bioenergy Ltd (TBL).

The rating factors in steady revenue growth in the past few fiscals, supported by a phased increase in allocated quantities in line with the capacities. TBL has been able to sustain its operating margin at more than 15% for the two fiscals through 2025, driven by assured supply arrangements and captive power from its group companies, which partly lower power costs. With strong operating performance, debt protection metrics and capital structure have seen a correction in the past two fiscals, aiding the financial risk profile. Given the absence of any major debt additions and healthy accretion, the financial risk profile would strengthen further over the medium term. Nevertheless, this would remain a key monitorable.

The rating continues to reflect the experienced management, assured supply arrangements, healthy demand for ethanol, offtake agreements with oil marketing companies (OMCs) and above-average debt protection metrics. These strengths are partially offset by susceptibility to fluctuations in raw material prices, exposure to regulatory risk in the distillery industry and moderately leveraged capital structure.

Analytical Approach

Crisil Ratings has combined the business and financial profiles of TBL and its wholly owned subsidiary, Leafiniti Bioenergy Pvt Ltd (LBPL).

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Experienced management and assured supply arrangement:** TBL's in-house raw material sourcing for ethanol production, particularly from its group company, strategically fosters vertical integration. This ensures a seamless supply chain, granting the promoter group company direct control over raw material quality. Leveraging the sister/group concern's resources enhances efficiency, reduces external dependency and boosts overall operational stability, providing a distinct strategic advantage.

TBL is one of India's largest biofuels producers, having strategically positioned itself as a prominent and diversified player in the biofuel industry, particularly in the ethanol sector, with an aggregate production capacity of 2,000 kilolitre per day (KLPD) (increased from 1,400 KLPD) as on December 31, 2024. Of the total capacity of 2,000 KLPD, 1,000 KLPD was converted to dual feed plant as on April 30, 2025, which can produce ethanol from cane (syrup, B-heavy molasses, C-heavy molasses), as well as grains (rice and maize).

TBL, through its subsidiary LBPL, is a producer of compressed biogas (CBG) under the Sustainable Alternative Towards Affordable Transportation scheme introduced by the Government of India in 2018 and operates at 10.2 tonne per day (TPD).

Also, the promoters' experience of over two decades in the industry, their strong understanding of market dynamics and healthy relations with customers and suppliers should continue to support the business.

- **Healthy demand for ethanol and offtake agreements with OMCs:** The company's product, fuel grade, will be used by OMCs in the Ethanol Blending Programme. The Government of India's targets of achieving E20 petrol by 2025 through the National Policy of Biofuels 2018 has created huge opportunity for fuel grade ethanol manufacturers and there is a huge gap between the demand and supply. This coupled with offtake from OMCs such as Bharat Petroleum Corporation Ltd ('Crisil AAA/Stable/Crisil A1+'), Indian Oil Corporation Ltd ('Crisil AAA/Stable/Crisil A1+') and Hindustan Petroleum Corporation Ltd ('Crisil AAA/Stable/Crisil A1+') will continue to support the business risk profile over the medium term. The company has an offtake agreement from these OMCs to supply 52 crore litre of ethanol for ethanol

supply year (ESY) 2024-25 (November 2024-October 2025), of which around 36 crore litre order is yet to be delivered and provides revenue visibility for fiscal 2026.

- **Above-average debt protection metrics:** As per Ethanol Blending Policy 2018 of the government, the company is eligible to receive interest subvention for 50% of the interest it pays on term loans. Interest coverage ratio (adjusting for interest subvention) is estimated at around 3.5 times and net cash accrual to adjusted debt ratio at about 0.14 time for fiscal 2025. Interest coverage ratio is expected at 4-5 times going forward, despite higher debt levels.

Weaknesses:

- **Susceptibility to fluctuations in raw material prices:** Profitability is exposed to fluctuations in raw material prices. Since the prices of cane, rice and maize depend on demand-supply factors, these are volatile and can adversely affect the operating margin. Though the government regularly intervenes to adjust the ethanol price paid by OMCs as per the input cost, sustainability of the margin at 14-15% amid fluctuating maize and rice prices will remain a key monitorable over the medium term.
- **Exposure to regulatory risk in the distillery industry:** The Government of India advanced the 20% ethanol blending target (with gasoline) to 2026 from 2030. Further, the recent lifting of restrictions announced by the government on diversion of sugar for ethanol production from ESY 2024-25 is expected to aid the syrup availability for ethanol production. Since the ethanol industry is highly regulated, any change in the regulatory stance and continuation of government support to ethanol sector (particularly ethanol pricing) will remain monitorable.

The company has completed modifying 50% of its total capacity (1,000 KLPD out of the total capacity of 2,000 KLPD) from mono-feed plant to dual-feed plant (further plans to convert additional 300 KLPD to dual-feed by July 2025). This modification enables the company to produce ethanol from grain-based feed along with sugar-based feed. The modification to a dual-feed plant mitigates the regulatory risk that is present in the sugar/sugar cane industry. However, profitability is exposed to fluctuations in raw material prices and timely revision of ethanol prices by the Indian government.

- **Moderately levered capital structure:** Large, debt-funded capital expenditure (capex) over 2-3 fiscals through 2025 towards building ethanol manufacturing capacity of 2,000 KLPD and modification of existing capacities has resulted in external term debt of more than Rs 1,100 crore. The company had networth of over Rs 580 crore as on March 31, 2025. Gearing was high at around 2.4 times while total outside liabilities to tangible networth ratio was around 3.7 times as on March 31, 2025. Significant improvement in these parameters with regular term loan repayment and steady accretion to reserve will remain monitorable.

Liquidity: Adequate

Liquidity should remain supported by the ample surplus available in cash accrual and bank lines. Bank limit utilisation was moderate at around 78% for the 12 months through March 2025. Cash accrual is expected at Rs 290-310 crore per annum, against yearly debt obligation of Rs 140-180 crore over the medium term. Current ratio stood at 1.04 times as on March 31, 2025. The promoters are likely to extend need-based funds (equity and unsecured loans) to aid operations.

Outlook: Stable

TBL will continue to benefit from the extensive experience of the promoter and his established relationship with clients.

Rating sensitivity factors

Upward factors:

- Significant revenue growth and operating margin sustaining at around 15%, leading to higher-than-expected cash accrual
- Improvement in the financial risk profile

Downward factors:

- Decline in revenue and profitability margin falling below 11%, resulting in lower-than-expected cash accrual
- Large, debt-funded capex or a sizeable stretch in the working capital cycle weakening the liquidity and financial risk profile.

About the company

TBL, a part of the Karnataka-based MRN group, manufactures distillery products such as ethanol, extra neutral alcohol etc. The company had combined capacity of 1,400 KLPD, which further increased to 2,000 KLPD by December 2024. Mr Vijay Murugesh Nirani is the founder and managing director.

TBL was incorporated in 2021 and commenced commercial operations from October 2022 after the business transfer agreement with its group companies.

TBL's current capacity is carved out of the distillery units of Nirani Sugars Ltd with 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 the business transfer agreement and all the assets and liabilities with respect to distillery units are transferred.

About the wholly owned subsidiary

LBPL, established in 2020, is a wholly owned subsidiary of TBL. LBPL produces renewable CBG and allied from sugarcane press mud, other agricultural residue etc. generated by its group entities. Its plant at Bagalkot, Karnataka, has total production capacity of 10 TPD.

Key Financials Indicators

As on/for the period ended March 31	Unit	2024	2023
Operating income	Rs.Crore	1,229.66	762.38
Reported profit after tax (PAT)	Rs.Crore	31.62	35.45
PAT margin	%	2.57	4.65
Adjusted debt/adjusted networkth	Times	3.16	2.31
Interest coverage*	Times	1.97	2.75

*Adjusted for interest subvention

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

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Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Cash Credit	NA	NA	NA	300.00	NA	Crisil A-/Stable
NA	Term Loan	NA	NA	31-Mar-31	204.00	NA	Crisil A-/Stable
NA	Term Loan	NA	NA	31-Mar-31	1079.00	NA	Crisil A-/Stable
NA	Term Loan	NA	NA	31-Mar-31	34.00	NA	Crisil A-/Stable

Annexure - List of Entities Consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
TruAlt Bioenergy Ltd	100	Parent
Leafiniti Bioenergy Pvt Ltd	100	Wholly owned subsidiary

Annexure - Rating History for last 3 Years

Instrument	Current			2025 (History)		2024		2023		2022		Start of 2022
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	1617.0	Crisil A-/Stable	07-05-25	Crisil A-/Stable		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	300	State Bank of India	Crisil A-/Stable
Term Loan	204	State Bank of India	Crisil A-/Stable
Term Loan	1079	Indian Renewable Energy Development Agency Limited	Crisil A-/Stable
Term Loan	34	Indian Renewable Energy Development Agency Limited	Crisil A-/Stable

Criteria Details

Links to related criteria
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for consolidation
Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)

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