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September 14, 2010

**CARE ASSIGNS 'CARE BB+' RATING TO THE BANK FACILITIES OF  
BIO ETHANOL INDIA LTD.**

**Rating Assigned**

<b>Facilities/Instruments</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Long-term Bank Facilities	29.15	<b>'CARE BB+' (Double B plus)</b>	Assigned
<b>Total Facilities</b>	<b>29.15</b>		

**Rating Rationale**

The rating is constrained by risk associated with the implementation of the ongoing project, absence of a firm marketing tie-up, volatility in raw material prices, sensitivity of the business to Government regulations in respect of imposition of additional duties and/or restriction on usage of alcohol, intense competition with the presence of innumerable unorganized players and lack of experience of the main promoter in the similar line of business. The rating also factors in strong technical arrangement for the project, financial closure, receipt of the requisite statutory clearances, progress of the project as on July 31, 2010 and favorable demand outlook. Implementation of the project without any time or cost over-run, stabilization of operation and the ability of BEIL to successfully market its product and reap benefit thereof are the key rating sensitivities.

**Company Profile**

Incorporated in June 08, 2006, BEIL has undertaken the setting up of a grain-based distillery to manufacture Rectified Spirit (RS) and Extra Neutral Alcohol (ENA) at Annadevarapeta in the West Godavari district of Andhra Pradesh. Besides that, the company is also setting up a 0.75MW cogeneration plant and an effluent treatment plant. The main promoter, Mr. Venkat S. Mennavalli is a relatively new entrant to the alcohol industry; however, he has experience in promoting and managing several other companies. The other promoter, Mr. A. Veerbhadra Rao has a professional qualification in the alcohol industry (diploma in fermentation and alcohol technology) with over three decades of rich experience in the industry.

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<sup>1</sup>Complete definition(s) of the rating(s) assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

BEIL has achieved a financial closure, and the aggregate project cost of Rs.41.0 crore is being financed at a debt equity of 1.86:1 (term loan from banks Rs.26.65 crore and the balance in the form of an equity contribution by promoters). All the requisite statutory clearances are also in place. However, the company is yet to enter into any marketing tie-up and has not made firm arrangement for the procurement of raw material as well. BEIL has incurred about 50% of the aggregate project cost till June, 2010 and the plant is expected to commence commercial production from October, 2010.

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***CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries /regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.***

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