



Press Release

Rajshree Fine Chemicals Industries India Private Limited

March 05, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Previous Rating	Current Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	153.75	IVR BB/Stable (IVR Double B with Stable Outlook)	IVR BB+/Stable [IVR Double B Plus with Stable Outlook]	Upgraded	Simple
Total	153.75		Rupees One Hundred Fifty-Three Crore and Seventy-Five Lakh Only		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Ratings and Valuation Private Limited (IVR) has upgraded long term rating to IVR BB+ with a Stable outlook for the bank loan facilities of Rajshree Fine Chemicals Industries India Private Limited.

The rating upgrade takes into consideration the timely completion of project without any cost overrun along with commencement of operations. Further the company has also overachieved expected financials. The ratings continue to draw comfort from experienced promoters and locational advantages for the distillery. The ratings further take into account the strong demand dynamics and Government support to the sector. However, these rating strengths are partially offset by nascent stage of operations and susceptibility of operating margins to volatile raw material prices.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

IVR has principally relied on the audited financial results of the company up to March 31, 2023, and projected financials for FY2024-FY2026, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors



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- Stabilization of operations and generation of the cash flows as projected.

Downward Factors

- Non-stabilization of operations impacting the projected cash flows.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters

The promoter of the company is having the vast experience of different business segment resulting in established relationship with various stakeholders. The same is expected to benefit the company.

Locational Advantages for the distillery

The distillery is coming at cane and food grains rich area in central Uttar Pradesh. There are around 30 working sugar mills in the command area of the project i.e., in Shahjahanpur, Hardoi, Lakhimpur Kheri, Sitapur, Bareilly and Pilibhit. Further, there are more than 4000 rice mills in the State of Uttar Pradesh. Most of the rice mills are located in the western and central UP. Sugarcane molasses and rice grain being principal raw material for ethanol manufacturing various locational advantages accrue to the manufacturing plant in terms of sourcing the raw material at cost effective rates.

Strong demand dynamics & Government support to the sector

Ethanol is found to be cost effective dilutant in petrol and diesel without loss of energy. Besides the manufacturing process for ethanol does not require sophisticated technology and the raw material is also available abundantly in sugar and rice producing areas of India. With heavy dependence of India on imported crude the Government of India has taken various policy initiatives to incentivise blending ethanol with fuels to 20% by 2030. Going forward this will be positive for augmenting the demand for the company's products.



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Key Rating Weaknesses:

Nascent Stage of Operation

The company has achieved its Commercial Operational Date in December 2022. However, the stabilization of operations risk persists, and achievement of projected turnover and profitability will be key monitorable.

Susceptibility of operating margin to volatile raw material prices

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

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The company's liquidity is adequate. The unencumbered cash and bank balance stood at Rs. 7.68 Crore as on 31st March 2023. The GCA stood at Rs. 3.25 Crore in FY23. The current ratio stood moderate at 1.31x as on March 31st, 2023. Operating cycle of the company stood at 114 days in FY23. The average fund based working capital utilization stood at 52.92% for the last 12 months.

About the Company

Rajshree Fine Chemicals Industries India Pvt Ltd. was incorporated on 01st October 2018 and has its registered office at 11 Utkarsh Mahanagar, Phase-1, Bareilly, Uttar Pradesh. The Company is promoted by Mr. Rakesh Kumar Agarwal, Mr. Rajendra Kumar, Mr. Rishabh Bansal and Mr. Rohan Bansal. The Company is engaged in the



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business of manufacturing of Ethanol from molasses and grain. The manufacturing facilities (distillery) are to be located at Village Shalpur, Navadia Teh. Tilher, Distt. Shahjahanpur, Uttar Pradesh with a total installed capacity of 56,000 kilo litres per annum.

Financials (Standalone):

For the year ended* / as on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	--	70.38
EBITDA	--	9.91
PAT	--	0.83
Total Debt	117.65	201.39
Tangible Net Worth(including quasi-equity)	17.59	74.07
Ratios		
EBITDA Margin (%)	--	14.08
PAT Margin (%)	--	1.17
Overall Gearing Ratio (x)(including quasi-equity)	6.69	2.72

*Classification as per Infomerics` standards

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Mar 02, 2023)	Date(s) & Rating(s) assigned in 2022-23 (Nov 07, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Aug 09, 2021)
1.	Long Term Fund Based Facilities	Long Term	153.75	IVR BB+/Stable	IVR BB/Stable	IVR BB/CWDI	IVR BB/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).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	September 2031	153.75	IVR BB+/Stable



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Annexure 2: List of companies considered for consolidated analysis: None.

Annexure 3: Facility wise lender details <https://www.infomerics.com/admin/prfiles/Len-RFCIPL-05032024.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.

