



Press Release

Eastern India Cements Private Limited

December 11, 2024

Rating

Security Facility /	Amount (Rs. crore)	Current Rating	Previous Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	149.32 (enhanced from 115.32)	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	IVR BB+; Stable (IVR Double B Plus with Stable outlook)	Upgraded	Simple
Total	149.32 (Rupees one hundred and forty-nine crore and thirty-two lakhs 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 upgrade in the rating assigned to the bank facilities of Eastern India Cements Private Limited (EICPL) considers successful completion of project before bank approved Commercial Operation Date (COD). The rating also continues to derive comfort from EICPL's experienced and reputed promoters, availability of long-term offtake agreement with Oil Marketing Companies (OMC) which ensures revenue visibility and low counterparty credit risks, presence of Escrow mechanism with presence of DSRA, extensive support of government in ethanol sector and growing demand for ethanol and its by-products. However, these rating strengths remain constrained due to nascent stage of its operation, susceptibility of operating margin to volatile raw material prices coupled with exposure to agro-climatic risk, exposure to government regulations and risk of termination of offtake agreement.

The stable outlook reflects the expected improvement in financial performance with expected growth in ethanol industry on the back of support from experienced promoters and in place contracts with OMCs.

Key Rating Sensitivities:

Upward Factors

- Sustained increase in operating income and profitability leading to improvement in gross cash accruals



Press Release

- Improvement in the capital structure with improvement in leverage ratios and improvement in debt protection metrics

Downward Factors

- Moderation in the scale of operation with moderation in profitability impacting the capital structure with moderation in overall gearing
- Delay in receipt of subsidies impacting the liquidity profile
- Any changes in govt. policies negatively impacting the company's operation

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced and reputed promoters

Mr. Abinash Verma has an experience of around 20 years in Ethanol Industry by virtue of its working in Govt. of India as director in food processing department, mainly Sugar and Ethanol. He took voluntary retirement from Govt. in 2010 to join Indian Sugar Mills Association (ISMA) as Director General. Mr. Amitabh Verma is a retired IAS officer, has held several senior positions for 37 years both in the Central Government and the Bihar Government. The promoters are well supported by qualified directors. The long-standing experience and reputation of the promoters play a major role in building long-term relationship with customers.

Availability of long-term offtake agreement with Oil Marketing Companies (OMC) ensures revenue visibility and low counterparty credit risks

EIBPL has long-term purchase agreements with OMCs like Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL), Indian Oil Corporation Limited (IOCL). There are two depots of the OMCs nearby, one of HPCL at just ~2kms and another of BPCL at ~11kms.

Successful completion of project before bank approved COD

The project has been completed before bank approved COD. The ethanol plant has started operation from May 15, 2024 (Bank Approved COD was August 2024) and 61.50 lakh litres of ethanol has been produced till September 30, 2024. The company has achieved a revenue of Rs. 47.46 crore during H1FY25.



Press Release

Presence of Escrow mechanism with presence of DSRA

The ratings draw comfort from the escrow mechanism through which cash flows are routed and used for payment as per the defined payment waterfall. As per tripartite agreement between manufacturers (borrower), purchaser (OMCs) and lender, escrow account is maintained for collection of sales proceeds. Further, as per bank sanction letter the company has to maintain DSRA equivalent of 3 months' repayment (principal & interest) within one year of commencement of commercial production. The amount in the DSRA would be utilised only in case of a shortfall in cash flows for meeting debt service requirements from time to time.

Extensive support of government to ethanol Sector

The project is eligible for various government incentives including interest cost being borne by government to the extent of 4.77% for 5 years, capital subsidy of Rs.30 crore which the company will receive after completion of project in two instalments of Rs.15 crore each. This apart, EICPL is entitled to receive interest subsidy @ 6% p.a. on total loan availed from the Bank, for a period of 5 years, subject to a maximum of Rs.3 crore as per Jharkhand Industrial and Investment Promotion Policy, 2021 and Jharkhand Ethanol Production Promotion Policy, 2022. EICPL is also eligible for one-time skill development subsidy of Rs 13,000 per employee which will be applicable for training of employees/ staffs who are domicile of Jharkhand and for incentive of 100% of net SGST per annum for 7 years from the date of production. EICPL has received Rs. 3.79 crore of interest subvention till June 2024 from NABARD.

Growing demand for ethanol and its by-products

The demand for ethanol is driven by growing usage of the product as a biofuel. The rising consumption of alcoholic beverages is another major factor supporting market growth of ethanol. The by-product DDGS, meant for animal feed, is a very fast selling product, and very much is demand which the buyers may book in advance as anticipated by EICPL.

Key Rating Weaknesses

Nascent stage of operation



Press Release

The grain-based ethanol plant of 100 KLPD of fuel grade ethanol was commissioned in May 15, 2024 and therefore FY25 is the first year of commercial operation. Hence, the company is in its nascent stage of operations.

Susceptibility of operating margin to volatile raw material prices coupled with exposure to agro-climatic risk

With raw material costs accounting for majority of the overall cost and limited control over selling prices of ethanol, EICPL's profitability will be vulnerable to volatility in raw material (key ingredients – maize, rice and wheat) prices like other players in the industry as key raw materials, being agricultural crops, are seasonal in nature, the availability of the same is affected by factors such as changes in weather conditions, low or high rainfall, production levels, etc. However, the risk is partly mitigated by regular revision of prices for ethanol by the Government on regular intervals based on the prevailing raw material prices.

Exposure to government regulations and risk of termination of offtake agreement

Ethanol production and demand from OMC's are highly dependent on government regulations. This apart, as per the offtake agreement with OMCs, the principle can terminate its agreement by 30 days' notice if the supplier fails to supply in time or operate the business and any adverse changes in current law/directives comes from Government.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

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

Liquidity – Adequate

The company is expected to earn a gross cash accrual in the range of ~Rs. 17.16 – Rs. 46.20 crore as against its debt repayment obligations in the range of Rs.7.44 – Rs.14.88 crore during FY25 - FY27. The company is expected to receive various government subsidies including 50% interest subvention of Department of Food and Public Distribution (DFPD) along with the interest subvention of State Government of Jharkhand of Rs.60 lakh per year. These subsidies



Press Release

are expected to support the debt repayment capabilities of the company. Overall, the liquidity of the company seems to be adequate in projected years.

About the Company

Eastern India Cements Private Limited (EICPL) was incorporated on May 12, 1987, for carrying out the business of cement manufacturing. The present promoters of the company are Mr. Amitabh Verma (Retired IAS officer), Mr. Ashutosh Verma, Mr. Abinash Verma and Dr. Meenakshi Verma. Recently, the company has started commercial operation of its 100 KLPD of fuel grade ethanol plant since May 15, 2024.

Financials (Standalone):

	(Rs. crore)	
For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	0.00	0.00
EBITDA	-0.01	-0.02
PAT	-0.01	-0.01
Total Debt	2.32	110.60
Tangible Net Worth	4.16	13.17
Adjusted Tangible Net Worth	5.94	25.30
EBITDA Margin (%)	-	-
PAT Margin (%)	-	-172.73
Overall Gearing Ratio (x)	0.39	4.37
Interest Coverage (x)	-	-

* 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 (Long Term/Short Term)	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
					Nov 09, 2023	-	-
1.	Term Loan	Long Term	115.32	IVR BBB-; Stable	IVR BB+; Stable	-	-
2.	Cash Credit	Long Term	28.00	IVR BBB-; Stable	-	-	-
3.	Bank Guarantee	Long Term	6.00	IVR BBB-; Stable	-	-	-



Press Release

Analytical Contacts:

Name: Nidhi Sukhani	Name: Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: nsukhani@infomerics.com	Email: apodder@infomerics.com

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 and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details



Press Release

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	April 2032	115.32	IVR BBB-; Stable
Cash Credit	-	-	-	-	28.00	IVR BBB-; Stable
Bank Guarantee	-	-	-	-	6.00	IVR BBB-; Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Eastern-India-Cements-11dec24.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.