



Press Release

JSR Grain Energy Private Limited

February 21, 2024

Ratings

Instrument/ Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	210.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Total	210.00 (Rs. Two hundred ten crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of JSR Grain Energy Private Limited (JSR) derives comfort from its experienced promoter, synergy benefits from group companies along with extended corporate guarantee from group companies, locational advantage, availability of long-term offtake agreement with Government body ensures revenue visibility and relatively lower counterparty credit risks and policy initiatives by the Government. These rating strengths are partially offset by susceptibility of operating margin to volatile raw material prices, exposure to government regulations and termination of offtake agreement and project Risk.

Rating Sensitivities

Upward factors

- Project to be completed without cost and time overrun.

Downward Factors

- Project gets delayed with cost and time overrun.

Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Experienced promoter**

The directors' family is widely experienced in the respective industries. Mr. Rajendra Kumar Jain is at the helm of affairs of the company with support from other directors and a team of experienced professionals. The promoters of JSR have extensive entrepreneurial and technical experience. The promoters have diversified businesses which includes Ethanol



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distilleries, manufacturing of edible oil, flour, rice and jute, trading of grains, etc. They have been engaged with this activity for more than three decades.

- **Synergy benefits from group companies along with extended corporate guarantee from Group company**

The company is formed by group of promoters, engaged in manufacturing of edible oil, flour, rice and jute, etc. This apart, other group companies are also into trading of grains which gives comfortable cushion for the company. Long standing experience of the promoters to run business operation along with easy of availability of raw materials from group companies provides synergy benefits to the company to an extent. Furthermore, four of its associates companies, namely Pancham Marketiers Pvt Ltd, M/s Sharma Export, Radha Gobinda Jute Mill Pvt Ltd and JSR Nirman LLP has extended Corporate Guarantee for the consortium of banking arrangement availed by JSR Grain Energy Private Limited for the ongoing project, which mitigates credit risk to some extent.

- **Locational advantage**

The manufacturing facilities of JSR will be in Malda District of West Bengal. 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.

- **Availability of long-term offtake agreement with Government body ensures revenue visibility and relatively lower counterparty credit risks**

About 65% of the proposed installed capacity of the project has been tied up with OMCs (IOCL, BPCL & HPCL together) by an Offtake agreement signed on January 03, 2022, The OMCs will offtake 4.29 crore Litre of ethanol per annum for 10 years after commencement of operation. This apart, the company is entitled to avail various incentive from State and Central Government to implement Ethanol distilleries 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.



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Key Rating Weaknesses

- **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 cyclicity in the industry.

- **Exposure to government regulations and 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 (JSR) fails to supply in time or operate the business and any adverse changes in current law/directives comes from Government.

- **Project Risk**

JSR is going to initiate a manufacturing facility of grain-based distillery of 200 KLPD capacity to produce Bioethanol under the Ethanol Blending Program scheme launched by GOI and 6.5 MW power plant for captive use. Currently, the company has floated a greenfield project to setup the manufacturing unit at Malda district of West Bengal. The company has acquired a piece of ~55 bigha land and diverting the same for industrial use. Total project cost is to be Rs. 266.03 crore which will be financed by equity of Rs.38.53 crore, unsecured loan Rs.17.50 crore, term loan of Rs.210.00 crore. Financial closure has already been achieved with the sanction of bank term loan from State Bank of India, HDFC, BOI and UCO Bank consortium where SBI being the lead consortium bank. The company has incurred ~Rs.174 crore till December 31, 2023, which is financed from promoters contribution of ~Rs.56 crore in the form of equity, pref. share and unsecured loan, along with bank term loan of ~Rs.116 crore and balance from others. The expected COD of the project is by July 2024.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)



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Liquidity: Adequate

The company is expected to earn a gross cash accrual in the range of ~Rs.24-42crore as against its debt repayment obligations in the range of ~Rs.6.94 to 31.11 crore per year during FY25-27. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term.

About the Company

JSR Grain Energy Private Limited (JSR) was incorporated in August 2021 in West Bengal by a group of promoters, to initiate a manufacturing facility of alcohol-based products. Since inception, the company has planned to install a grain-based distillery to produce Bioethanol under the Ethanol Blending Program scheme launched by GOI and a 6.5 MW captive power plant. The company is formed by three families based out of Eastern India, having business interest and significant experience in various fields like- grain trading, manufacturing of edible oil, flour, rice and jute. The group's turnover is around ~Rs.1300 crore in FY23.

Currently, JSR is elected by GOI for Ethanol Blending Program scheme and the company has entered into a Long-Term Offtake Agreement with OMCs. In this regard, the company has floated a greenfield project to setup a manufacturing unit at Malda district in West Bengal at a project cost of ~Rs.266 crore. The manufacturing plant is proposed to be operational by July 2024. The day-to-day affairs of JSR are looked after by Mr. Rajendra Kumar Jain, promoter director, along with other directors and a team of experience personnel.

Financials (Standalone): Not applicable as JSR in project stage.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Term loans	Long Term	210.00	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: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term loan I	-	-	Sept. 2031	80.00	IVR BBB-/ Stable
Term loan II	-	-	Sept. 2031	45.00	IVR BBB-/ Stable
Term loan III	-	-	Sept. 2031	35.00	IVR BBB-/ Stable
Term loan IV	-	-	Sept. 2031	50.00	IVR BBB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-JSR-Grain-feb24.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.