



Press Release

Rajshree Fine Chemicals Industries India Pvt Ltd.

November 07, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Term Loan	153.75	IVR BB; Credit Watch with Developing Implications	Rating Reaffirmed and put on Credit watch with Developing Implications	Simple
Total	153.75 (One Hundred Fifty-Three and Seventy-Five Lakh Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Rajshree Fine Chemicals Industries India Private Limited (RFCIPL) has been put on 'credit watch with developing implications' on account of possible impact of delay in project completion with twice extension of CoD and increase in the cost of project. As such, Infomerics would engage with RFCIPL's management to gain better understanding of the revised project execution timelines and cost vis-à-vis current project progress. Pending greater clarity on these matters, the ratings of the bank facilities of RFCIPL's has been put under 'credit watch with developing implications'.

The rating continues to draw comfort from its resourceful promoters and locational advantage. The rating also factors in the strong demand dynamics & government support to the sector. However, these strengths are constrained by project execution risks.

Key Rating Sensitivities:

Upward Factors

- Scheduled completion of the project & generation of the cash flows as projected.

Downward Factors

- Any major delay in scheduled completion of the project impacting the projected cash flows.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Resourceful 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 ongoing project. Further, the promoters have infused funds to the tune of Rs.78.55 crore out of their proposed contribution of Rs.92.22 crore upto October 2, 2022 for part-funding the ongoing project which indicates their resourcefulness.

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.

Key Rating Weaknesses

Project execution risk:

The Company is setting up a greenfield project for setting up a distillery for manufacturing Ethanol. The project cost for the said project has been increased from Rs.238.79 crore to Rs.282.98 crore on account of increase in scope of project. Further, on account of delays in



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project execution, the company has received extension of COD from December 31, 2021, to June 30, 2022 and further to December 31, 2022 from the lead bank. Accordingly, the lead bank has also revised the debt repayment start date to October 2023. The Company has spent Rs.223.44 crore up to October 2, 2022 and is planning to start production by December 2022. As the project has not been completed till date, the same exposes the Company to inherent execution risks and uncertainties. Any further delay in the execution of the project in scheduled timelines may lead to cost overruns and may affect the envisaged cash flows of the project thus jeopardising the debt repayment capacity of the Company.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Policy for placing ratings on Credit Watch](#)

Liquidity – Adequate

The firm is likely to be benefited from the resourcefulness of the promoters. Rajshree Fine Chemical's liquidity profile seems adequate in the medium term. However, the entire cash flows depend upon the timely beginning of the commercial operation of the plant which is expected to start from December 2022. The entity is projected to maintain an adequate level of cash inflow and the same is expected to increase gradually with increase in sales.

About the Company

Rajshree Fine Chemical Industries India Private Limited was incorporated on 01st October 2018 in Kanpur, Uttar Pradesh for setting up a distillery unit for manufacture of Ethanol with 4.5 MW Co Generation Power Plant. The capacity of the plant is 80 Kilo Litres Per Day (KLPD) for Molasses/Grain based & 80 KLPD for Grain based production of Ethanol. The Cost of the Project is INR 282.98 crores to be funded by term loan of INR190.75 crores and balance from promoters' contribution.



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Financials (Standalone):

For the year ended/As on*	30-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	0.00	0.00
EBITDA	-0.08	-0.06
PAT	0.00	0.00
Total Debt	2.59	114.47
Tangible Net Worth	3.55	17.59
Ratios		
EBITDA Margin (%)	-	-
PAT Margin (%)	0.00	0.00
Overall Gearing Ratio (x)	6.09	7.59

*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 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Aug 9, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Fund Based Facilities – Term Loan	Long Term	153.75	IVR BB/CWDI	IVR BB/Stable	--	--

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India



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registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

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	-	-	Sept 2031	153.75	IVR BB CWDI

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Rajshree-Fine-nov22.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.