



Press Release

Rajshree Fine Chemical Industries India Private Limited

September 30th, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	256.86 [enhanced from Rs.224.18 crore]	IVR BBB-/Stable [IVR Triple B Minus with stable outlook]	IVR BB+/Stable [IVR Double B Plus with stable outlook]	Upgraded	Simple
Short Term Bank Facilities	0.40	IVR A3 [IVR A three]	-	Assigned	Simple
Total	257.26 [enhanced from Rs. 224.18 crore]	[Two hundred fifty-seven crore and twenty-six lakh 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

Infomerics Ratings has upgraded its rating assigned to the bank facilities for the long-term facilities to IVR BBB- with stable outlook of Rajshree Fine Chemicals Industries India Private Limited (RFCIPL). Infomerics Ratings has assigned the ratings of IVR A3 to the short-term facilities of the company.

The rating continues to draw comfort from experienced promoters, locational advantage of the distillery coupled with strong demand dynamics and government support to the ethanol sector. However, these rating strengths are partially offset by leveraged capital structure and susceptibility of operating margin to volatile raw material prices.

The outlook stood 'stable' on account of experienced promoters and increase in ethanol prices which has a healthy demand potential on account of Government focus on blending it with Petrol.

Infomerics Ratings has principally relied on the standalone audited financial results of RFCIPL up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to 2 March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors



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- Significant growth in scale of business with improvement in operating profitability on sustained basis.
- Improvement in the debt protection specific credit metrics Total Debt to EBITDA below 4.00x.

Downward Factors

- Dip in operating income and/or profitability further impacting the debt coverage indicators and/or further deterioration in the financial risk profile.
- Any further significant rise in working capital intensity or unplanned capex leading to a further deterioration in the liquidity position.

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.

- **Location advantage of the distillery**

The manufacturing facility is set up 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 and 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



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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

- **Leveraged capital structure:**

The capital structure of the company stood moderate marked by ATNW (including quasi equity of Rs. 40.63 Crores) improved from Rs.66.87 Crore as on March 31, 2023, to Rs. 72.15 Crore as on March 31, 2024, on account of accretion of profits to general reserve along with infusion of unsecured loans. The overall gearing of the company stood at 3.58x as on March 31, 2024, against 3.01x as on March 31, 2023; deteriorated on account of increase in total debt. Unsecured loans to the tune of Rs.40.63 crore as on March 31, 2024 which was Rs. 32.84 crore as on March 31, 2023, have been considered as quasi-equity as the same are subordinate to bank debt. TOL/ATNW stood at 4.01x as on March 31st, 2024, against 3.39x as on March 31st, 2023; deteriorated on account of increase in term liability. The debt protection metrics are moderate with interest coverage at 1.78x in FY24 as against 1.49x in FY23. DSCR stood at 1.09x in FY24. Total Debt to GCA improved to 18.58 years in FY24 from 61.95 years in FY23 on account of improvement in GCA.

- **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.

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](#)



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Liquidity – Adequate

The company has an adequate liquidity profile marked by sufficient cushion in gross cash accruals vis-a-vis its debt obligations. Gross cash accrual for FY 25 - 27 is estimated at Rs. 16.32 crore to Rs. 26.94 crore with a repayment liability of Rs. 19.20 Crore to Rs. 24.60 Crore. The company's bank limits are utilised to an extent of 58.87% for last 12 months ended August 2024, indicating sufficient utilization cushion. The current ratio and quick ratio of the company stood at 1.36x and 0.62x respectively as on March 31, 2024. The operating cycle of the company stood at 93 days as on March 31, 2024, against 114 days as on March 31, 2023. The unencumbered cash and bank balance as on March 31, 2024, stood at Rs. 4.40 Crore.

About the Company

Rajshree Fine Chemicals Industries India Pvt Ltd, incorporated in October 2018 with its registered office in Bareilly. The Company is engaged in the manufacturing of Ethanol from molasses and grain and started its commercial production December 2022. The manufacturing facilities (distillery) are located at Shahjahanpur, Uttar Pradesh with an installed capacity of 160 KLPD.

Financials [Standalone]:

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	70.38	295.85
EBITDA	9.91	31.68
PAT	0.83	0.47
Total Debt	201.39	258.38
Tangible Net Worth (including quasi-equity)	66.87	72.15
EBITDA Margin (%)	14.08	10.71
PAT Margin (%)	1.17	0.16
Overall Gearing Ratio (x) (including quasi-equity)	3.01	3.58
Interest Coverage (x)	1.49	1.78

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:



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Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			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
1.	Fund Based Limits	LT	256.86	IVR BBB-/Stable	(March 29, 2024) IVR BB+/Stable	(March 02, 2023) IVR BB+/Stable (November 07, 2022) IVR BB/CWDI	(August 09, 2021) IVR BB/Stable
2.	Non-Fund Based	ST	0.40	IVR A3	-	-	-

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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.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Facility – Term Loan	-	-	-	September 2031	171.86	IVR BBB-/Stable
Long Term Facility – Cash Credit	-	-	-	-	85.00	IVR BBB-/Stable
Short Term Facility – Credit Exposure Limit	-	-	-	-	0.40	IVR A3

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-RajshreeFine-sep24.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.