

Press Release

Raichur Bio Energies Private Limited

July 02, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 41.76 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 41.76 crore bank facilities of Raichur Bio Energies Private Limited. The outlook is '**Stable**'.

Raichur Bio Energies Private Limited incorporated in 2000 under the directorship of Mr. R.P Krishnamurthy, Mr. Maram Tippanna, Mr. S Purushotam, Mr. Mylapur Laxmi Narayana and others. The operations commenced from February, 2015. The company is engaged in biomass based power generation. The husk is the major raw material, is procured from rice mills in and around Raichur throughout the year. The plant load factor is 75-80 per cent from last two years. The company has signed a PPA agreement with Bangalore Electricity Supply Company Limited (BESCOM) for a period of 20 years. The agreement has an escalation clause for increase of 3 per cent in rate every year.

Key Rating Drivers

Strengths

- **PPA with BESCOM ensuring stability to revenues**

The company has a long term power purchase agreement of 20 years (could be extended by further 10yrs) with Bangalore Electricity Supply Company Limited (BESCOM) with tariff rate escalation clause (@3 per cent every year. Thus, providing RBEPL medium term revenue visibility.

- **Comfortable Working Capital Cycle**

RBEPL has Gross current assets (GCA) of 62 days for FY2018 (Provisional) against 85 days for FY2017. This is mainly on account of inventory days of 4 days and debtor days of 58 days for FY2018 (Provisional) as against inventory days of 2 days and debtor days of 77 days for FY2017. The working capital cycle (WCC) stood at 36 days for FY2018 (Provisional) against 47 days for FY2017. Further, utilisation of working capital borrowing stood at ~90.00 percent for the past six months ended April 2018.

Weaknesses

- **Small Stage of Operations**

The company began its operations from February, 2015. As a result, the scale of operations has been small at Rs. 28.25 crore in FY2017-18 (Provisional) with net loss at Rs. -3.06 crore. Acuite believes that the company's long track record of operations along with scaling up of operating income would be a key credit monitorable factor.

- **Weak Financial Risk Profile**

RBEPL has weak financial risk profile marked by net worth of Rs.11.41 crore as on 31 March, 2018 (Provisional). The gearing (debt-equity) stood at 3.88 times as on 31 March, 2017 compared to 9.45 times as on 31 March, 2017. The total debt of Rs. 44.26 crore as on 31 March, 2017 consists of term loan of Rs. 32.16 crore, unsecured loans of Rs.2.24 crore and working capital facility of Rs. 9.86 crore. The Interest coverage stood at 1.20 times for FY2018 (Provisional) compared to 0.57 times for FY2017. The DSCR stood at 1.20 times for FY2018 (Provisional). The company has been incurring losses at operating PBT level of Rs.3.06 crore for FY2018 (Provisional) compared to Rs.5.95 crore for FY2017. Further, Acuite believes that the financial risk profile will continue to remain weak until the company starts making Operating PBT level profits.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the RBEPL.

Outlook: Stable

Team believes that the outlook of the RBEPL will remain stable over the medium term on account of revenue visibility. Outlook will be revised to positive if firm able to increase scale of operations while maintaining healthy profitability. On the contrary; the outlook will be revised to negative in a scenario of decline in the scale of operations resulting into decline in the revenues affecting margins and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	28.25	24.02	3.43
EBITDA	Rs. Cr.	6.33	2.94	0.62
PAT	Rs. Cr.	-3.06	-6.20	-1.29
EBITDA Margin	(%)	22.41	12.25	17.95
PAT Margin	(%)	-10.85	-25.80	-37.72
ROCE	(%)	3.75	-1.26	0.02
Total Debt/Tangible Net Worth	Times	3.88	9.45	4.13
PBDIT/Interest	Times	1.20	0.57	0.74
Total Debt/PBDIT	Times	6.99	18.43	80.01
Gross Current Assets (Days)	Days	62	85	300

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	31-Jan-2027	34.26	ACUITE B / Stable

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About Acuité Ratings & Research:

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