

## Press Release

### Raichur Bio Energies Private Limited

September 06, 2019

#### Rating Upgraded



<b>Total Bank Facilities Rated*</b>	Rs. 41.76 Cr.
<b>Long Term Rating</b>	ACUITE B+ / Outlook: Stable (Upgraded from ACUITE B/Stable)

\* Refer Annexure for details

#### Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE B**' (read as **ACUITE B**) on the Rs. 41.76 crore bank facilities of RAICHUR BIO ENERGIES PRIVATE LIMITED. The outlook is 'Stable'.

The upgrade in the rating is in the view of improving business risk profile marked by registered profits in FY2019 (Provisional) i.e. Rs.1.70 crore as against negative Rs. 2.42 crore in FY2018. Acuité expects the performance to be sustained over the medium term.

Raichur Bio Energies Private Limited (RBPL) was incorporated in 2000. However, the commercial operations begun in February, 2015. The promoters are Mr. R.P Krishnamurthy, Mr. Maram Tippanna, Mr. S Purushotam, Mr. Mylapur Laxmi Narayana and others. The company is engaged in biomass-based power generation. The plant load factor is 75 per cent for FY2019. The company has signed a PPA agreement with Bangalore Electricity Supply Company Limited (BESCOM) for a period of 10 years. The agreement has an escalation clause for increase of 3 per cent in rate every year.

#### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the RBPL to arrive at this rating.

#### Key Rating Drivers

##### Strengths

##### • Improving margins

The operating margin of RBPL has increased to 36.48 per cent in FY2019 (Provisional) as against 22.91 in FY2018. The improvement is on the account of decrease in raw material prices i.e. Husk. Moreover, the company has achieved Profit after Tax (PAT) margin of 5.90 per cent in FY2019 (Provisional) against losses in FY2018. Acuité believes that the growth in revenue and absence of any capex plans are expected to support the profitability of the company.

##### • Efficient management of working capital cycle

RBPL's working capital operations are efficiently managed marked by Gross Current Asset (GCA) of 85 days in FY2019 (Provisional) compared to 65 days in FY2018. The GCA days are dominated by receivables days of 21 days in FY2019 (Provisional) compared to 61 days in FY2018. The company maintains inventory of raw material and stands at 22 days in FY2019 (Provisional). RBPL enjoys credit period of 12 days from its suppliers which moderates the working capital requirements.

Acuité believes that RBPL working capital intensive operations will be mitigated by the availability of adequate liquidity over the medium term.

## Weaknesses

### • Average financial risk profile

RBPL has average financial risk profile marked by tangible net worth of Rs.14.46 crore as on 31 March, 2019 (Provisional) as against Rs.12.05 crore as on 31 March, 2018. The gearing stood at 2.77 times as on 31 March, 2019 (Provisional) as against 3.62 times as on 31 March, 2018. The debt of Rs.40.07 crore mainly consists of term loans of Rs.28.24 crore, unsecured loans from promoters of Rs.6.78 crore and working capital borrowings of Rs.5.05 crore. The coverage ratios are moderate with Interest Coverage Ratio (ICR) of 2.18 times for FY2019 (Provisional) as against 1.25 times for FY2018. Debt Service Coverage Ratio (DSCR) improved to 2.03 times for FY2019 (Provisional) as against 0.71 times for FY2018. The total outside liabilities to tangible net worth (TOL/TNW) stood at 2.87 times as on March 31, 2019 (Provisional) against 3.84 times as on March 31, 2018. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.12 times in FY2019 (Provisional) as against 0.02 times in FY2018.

Acuite expects the company to maintain its financial risk profile in absence of any debt funded capex plan.

### Liquidity:

Liquidity profile of RBPL is adequate reflected by sufficient net cash accruals against its maturing debt obligations. RBPL has reported cash accruals of Rs.4.96 crore in FY2019 (Provisional) and expected to generate cash accruals in the range of Rs.4 crore – Rs. 6.00 crore over the medium term against repayment obligations of Rs. 3.60 crore. The utilisation of working capital limits remains full. The current ratio stood at 0.72 times in FY2019 (Provisional). Acuite believes that the cushion in its accruals is expected to be absorbed into its incremental working capital operations resulting into adequate liquidity profile.

### Outlook: Stable

Acuite believes that RBPL will maintain a 'Stable' business risk profile over the medium term based on its long term agreement signed with BESCOM. The outlook may be revised to 'Positive' in case the company's financial risk profile improves, while maintaining profit margins. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues or in case of elongated working capital cycle.

### About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	28.83	27.02	24.02
EBITDA	Rs. Cr.	10.52	6.19	2.94
PAT	Rs. Cr.	1.70	-2.42	-6.20
EBITDA Margin	(%)	36.48	22.91	12.25
PAT Margin	(%)	5.90	-8.96	-25.80
ROCE	(%)	12.95	4.57	-1.26
Total Debt/Tangible Net Worth	Times	2.77	3.62	9.45
PBDIT/Interest	Times	2.18	1.25	0.57
Total Debt/PBDIT	Times	3.81	7.06	18.43
Gross Current Assets (Days)	Days	85	65	85

### Status of non-cooperation with previous CRA (if applicable)

None

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
02-Jul-2018	Cash Credit	Long Term	7.50	ACUITE B / Stable (Assigned)
	Term Loan	Long Term	34.26	ACUITE B / Stable (Assigned)

## \*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 (Upgraded from ACUITE B/ Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	34.26	ACUITE B+ / Stable (Upgraded from ACUITE B/ Stable)

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## About Acuité Ratings & Research:

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