

Press Release

Sms Biofuel Private Limited

February 01, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	99.00	ACUITE BB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	99.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 99.00 crore bank facilities of SMS BIOFUEL PRIVATE LIMITED. The outlook is '**Stable**'.

Rationale for Rating Assigned

Assignment of rating factors in three decades long experience of the promoters in the same line of business, further the project is ~ 60% completed and rest work needs to be done resulting into moderate project Risk and 100% capacity off take gives comfort resulting in to low demand risk. Financial Assistance from central and state government is also giving some comfort. Considering all the above factors we have arrived at the rating

About the Company

Based in Indore, Madhya Pradesh and incorporated in 2021, SMS Biofuel Private Limited is engaged in the manufacturing of Ethanol and allied products. The company is directed by Mr. Sorabh Sood and Mr. Lakshyadeep Singh. Company is constructing plant with capacity of 125 KLPD Ethanol Production with steam based captive power plant of 3MW in Timrani, Harda District in Madhya Pradesh.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SMS Biofuel Private Limited to arrive at the rating. Support of Oasis Group is also factored in to arrive at rating.

Key Rating Drivers

Strengths

Experienced Management

Promoters and Directors of company have vast experienced in manufacturing of ENA, IMFL and Country liquor. Strong shareholding of Experienced Promoters will help the company in terms of Knowledge and Support. Mr. Satish Sood, Mr. Trilochan Singh and Mr. Chitwan Malhotra are promoters of the company and holds ~three decades of experience in the same line of business.

Low Funding Risk

Estimated Project cost is Rs. 119.64 crores and out this Rs. 20.64 crores will be in form of equity capital and unsecured loans, Rs 99 crores from Term Loan. Company has equity share capital of Rs 9 crores, unsecured interest free loan from directors and inter corporate deposits of Rs. 4.20 crores (3.20 crore and 1 crore respectively) as on March 31, 2022. Further State Bank of India has sanctioned the loan of Rs 99 crores for 9 years and 4 Months @10% ROI with Quarterly instalments starting from September 23. Company has taken disbursement of ~Rs 35 crores till date In addition to this company has taken unsecured loan of Rs~ 12.50 crores till date.

Low Demand Risk

The Company has been shortlisted for the state of Madhya Pradesh under the Expression of Interest (EOI) for signing long term bipartite agreement with upcoming dedicated ethanol plants in ethanol deficit states for supply of denatured anhydrous ethanol to oil marketing companies for Annual Offtake Quantity offer of 60 KLPD which is ~50% of the total production offtake and the rest of production is tied up with Reliance BP Mobility Limited. Ethanol demand will rise in upcoming years as the target to achieve 20% ethanol blending in petrol by 2025 will boost the demand.

Weaknesses

Moderate Execution Risk

The promoters of the Company have experience in the manufacturing of ENA, IMFL and Country liquor. Mr. Satish Sood and Mr. Trilochan Singh are also the Directors in Oasis Group (Oasis Distilleries Limited, Malbros International Private Limited) engaged in the production, distribution and export of ENA, IMFL and Country liquor, and has a wide distribution network for both Indian and foreign liquor in the various states of India. Company has incurred total project cost of Rs. ~ 65.53 Crores and ~60% work has been completed. COD of the project is April 23. Accordingly Execution Risk is moderate.

Rating Sensitivities

Timely execution of project

Achievement of Operational performance as envisaged

Material covenants

None

Liquidity Position

Any shortfall of funds will be funded by the Promoters if any cost arises due to cost/time over run as mentioned in sanction letter as well. This gives additional liquidity support for the company

Outlook: Stable

Acuité believes that Company will maintain the pace of execution and will complete the project as scheduled and hence the outlook is stable and the company will benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case of quicker implementation of Project resulting in quicker operations and cash flow generation. The outlook may be revised to 'Negative' in case of delay in project execution resulting in to cost over runs impacting the financial risk profile of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	(0.06)	0.00
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.02	0.00
PBDIT/Interest	Times	(18.81)	0.00

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History:

None

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	99.00	ACUITE BB Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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