



Press Release
SMS BIOFUEL PRIVATE LIMITED
February 20, 2024
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	99.00	ACUITE BB+ Stable Upgraded	-
Bank Loan Ratings	4.00	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	123.00	-	-

Rating Rationale

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

Acuite has further assigned the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B Plus**) and Short Term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 24 crore bank facilities of SMS BIOFUEL PRIVATE LIMITED. The outlook is '**Stable**'

Rationale for Rating

The rating action takes into account the completion of construction phase of project and initiation of commercial production from December 30, 2023. Further the rating factors the promoters support in form of fund infusion of Rs~15 crore in form of Unsecured loan showing promoters commitment towards business however the rating is constrained by delay in project execution resulting in to lower than envisaged for current fiscal.

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 has completed the construction of plant with capacity of 125 KLPD Ethanol Production with steam based captive power plant of 3MW in Timrani, Harda District in Madhya Pradesh.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SMS Biofuel Private Limited to arrive at the rating. Further the management linkage with 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.

Funding Risk: Low

Company has raised Rs 9 crore in form of Equity share capital and promoters has infused Subordinated USLs Rs 23.50 crore in the company to meet the funding requirement. Company has taken debt of Rs 99 crore for the funding of Project. SBI has further sanctioned working capital limits as CC limit of Rs 20 crore, SLC limit of Rs 1 crore and Bank Guarantee of Rs 1 crore. Original project cost was Rs ~120 crore while actual project cost is Rs ~136 crore. As per our discussion with banker and management cost overrun is funded by promoters in form of USLs (Subordinated to Bank Debt)

Demand Risk: Low

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 (OMCs) for Annual Offtake Quantity offer of 60 KLPD which is ~50% of the total production offtake and balance capacity with Reliance BP Mobility Limited. Company has 100% long term off take agreements accordingly demand risk is now assessed at low level. Ethanol demand will rise in upcoming years as the target to achieve 20% ethanol blending in petrol by 2025 will boost the demand. Company has started sale of Ethanol in month of January 24.

Weaknesses

Execution Risk: Project delayed and completed

SCOD for the Project was April 23 however project was not completed on time and got delayed. Company achieved actual COD on December 30, 2023. This delay in project execution resulted in cost over run of Rs~15 crore which was funded by promoters. company was unable to envisage projections for FY 24.

Regulated industry

Raw materials required for grain based ethanol unit (Bazra, Maze, Broken Rice) are regulated by government policies. Any change in government policies may result in difficulties in raw material procurement. This may result in loss of revenue or lower operating margins.

Rating Sensitivities

Achievement of Operational performance as envisaged
Company ability to achieve the optimum production level

Liquidity Position

Adequate

Company has started generating operating income in Jan 24. Company has debt repayment of Rs 9.50 crore in FY 25. SBI has sanctioned cash credit limit of Rs 20 crore. Any shortfall of funds will be funded by the Promoters to meet the debt obligation or contingencies.

Outlook: Stable

Acuité believes that Company will pace for achieving the Optimum production level 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 company reports higher operating income with better margins while maintaining the efficient working capital operations. The outlook may be revised to 'Negative' in case of lower operating income and margin, deterioration in financial risk and liquidity profile of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	(0.11)	(0.06)
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	3.26	0.02
PBDIT/Interest	Times	(3.74)	(18.81)

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

Not Applicable

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>
- Manufacturing Entities: <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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Feb 2023	Term Loan	Long Term	99.00	ACUITE BB Stable (Assigned)

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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A4+ Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BB+ Stable Assigned
State Bank of India	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A4+ Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Jun 2031	Simple	99.00	ACUITE BB+ Stable Upgraded (from ACUITE BB)

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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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