



Press Release
Sms Biofuel Private Limited
October 21, 2024
Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	119.00	ACUITE BB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	4.00	-	ACUITE A4+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	123.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B Plus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the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. 123.00 crore bank facilities of SMS Biofuel Private Limited. The withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company, and NOC (No Objection Certificate) received from the banker.

Rationale for Rating Reaffirmation

The rating reaffirmation reflects experienced management and average financial risk profile marked by healthy net worth, comfortable gearing and healthy debt protection metrics. These strengths are however offset by working capital intensive nature of operations is marked by high Gross Current Asset days (GCA) of 727 days as on FY2024(Prov.) and followed by regulated industry.

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.

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.

Average financial risk profile

The company has an average financial risk profile is marked by healthy net worth, comfortable gearing and healthy debt protection metrics. The revenue of the company stood at Rs.25.08 Cr. in FY2024 (Prov.). The tangible net

worth has increased to Rs. 39.95 Cr. as on FY2024 (Prov.) as compared to Rs.20.82 Cr. as on FY2023 due to accretion of reserves. The gearing of the company stood at 2.83 times as on FY2024(Prov.) as compared to 3.26 times as on FY2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.26 times as on FY2024(Prov.) as against 3.58 times as on FY2023. The debt protection metrics of the company marked by comfortable Interest Coverage Ratio (ICR) at 2.71 times as on FY2024(Prov.) as compared to -3.74 times as on FY2023 and Debt Service Coverage Ratio at 0.38 times as on FY2024(Prov.) as compared to -0.79 times as on FY2023. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.01 times as on FY2024 (Prov.). Acuité believes that financial risk profile is expected to be remain average over the medium term in absence of major debt funded capex plans.

Weaknesses

Working capital intensive nature of operations

The working capital-intensive nature of operations of the company is marked by high Gross Current Asset days (GCA) of 727 days as on FY2024(Prov.) due to significantly changes in high other current asset. The debtor days stood at 210 days as on FY2024(Prov.). The inventory period stood relatively low at 146 days as on FY2024 (Prov.). Acuité believes that the working capital management of the company will remain intensive given the nature of the industry.

Regulated industry

Raw materials required for grain-based ethanol unit (Bazra, Maze, Brooked 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

Not Applicable

Liquidity Position

Stretched

The company's liquidity position is stretched marked by net cash accruals of Rs. 1.67 Cr. as on FY2024(Prov.) as against Rs. 6.05 Cr. long-term debt repayment during the same period. The current ratio stood at 1.07 times as on FY2024(Prov.), as compared to 1.65 times as on FY2023. The cash and bank balances stood at Rs. 1.22 Cr. FY2024(Prov.). However, the working capital-intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 727 days. Acuité believes that going forward the liquidity position of the company will remain stretched due to the improving net cash accruals.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	25.08	0.00
PAT	Rs. Cr.	0.34	(0.11)
PAT Margin	(%)	1.36	0.00
Total Debt/Tangible Net Worth	Times	2.83	3.26
PBDIT/Interest	Times	2.71	(3.74)

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>
- 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
20 Feb 2024	Term Loan	Long Term	99.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Cash Credit	Long Term	20.00	ACUITE BB+ Stable (Assigned)
	Stand By Line of Credit	Short Term	3.00	ACUITE A4+ (Assigned)
	Bank Guarantee (BLR)	Short Term	1.00	ACUITE A4+ (Assigned)
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	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.00	Simple	ACUITE A4+ Reaffirmed & Withdrawn
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BB+ Reaffirmed & Withdrawn
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.	3.00	Simple	ACUITE A4+ Reaffirmed & Withdrawn
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Jun 2031	99.00	Simple	ACUITE BB+ Reaffirmed & Withdrawn

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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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