



Press Release
INDO NUCLEAR ENERGY PRIVATE LIMITED
September 08, 2023
Rating Assigned

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|-------------------------------|-------------------|
| Bank Loan Ratings | 85.00 | ACUITE B+ Stable Assigned | - |
| Total Outstanding Quantum (Rs. Cr) | 85.00 | - | - |

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE B+**' (read as **ACUITE B Plus**) on the Rs.85 Cr bank facilities of Indo Nuclear Energy Private Limited (INEPL). The outlook is '**Stable**'.

Rationale for rating

The rating reflects the company's exposure to significant project execution risk related to its ongoing project, management's inadequate experience in the distillery industry and expected leveraged capital structure. These weaknesses are offset by the easy availability of raw materials in close proximity, support from the government. The rating also draws comfort in absence of any offtake/demand risk.

About the Company

Based in New Delhi, Indo Nuclear Energy Private Limited (INEPL) was incorporated in 2011. The company is a subsidiary of BIPS Systems Limited, an IT and Process Automation Company. INEPL proposes to setup a 60 KLPD Grain based Distillery to produce Fuel Ethanol (AA) along with 2.5 MW captive power plant and up to 35 TPD DDGS Cattle Feed from Waste / Damaged Grains at Satna, Madhya Pradesh. The Ethanol is proposed to be manufactured from starch being extracted from broken rice, maize. The total cost of project is Rs.97.00 Cr and the expected commercial operation date is 1st October, 2023. Previously, the project was scheduled to be commercialised on 8th June 2023, however the project got delayed due to delay in disbursement of loans from the banks.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of INEPL to arrive at the rating.

Key Rating Drivers

Strengths

Secured Off-take along with healthy demand potential for ethanol

The company has negligible off take or demand risk, as under the Ethanol Blending Program (EBP) of India, the company has entered into a long-term offtake agreement with oil marketing companies (OMCs) namely Bharat Petroleum Corporation Limited (BPCL), Indian Oil Corporation Limited (IOCL) and Hindustan Petroleum Corporation Limited (HPCL) to supply 5.28 crore litres per annum grain-based Ethanol for a period of nine years. HBPL's ability to execute the supply of ethanol will be a key rating monitorable. The long-term demand outlook

of ethanol and biofuel remain favourable on the back of a significant demand-supply gap, along with the Government's focus on reducing crude oil import dependency. Further, with the Central Government's aim to achieve 20 per cent ethanol blending target by 2025,

the demand for ethanol is likely to continue.

Easy availability of raw material

The plant has easy access to raw materials like rice, broken rice, maize, etc due to close proximity of rice mills in Satna in Madhya Pradesh. Satna, being one of the major rice belt sources raw materials easily. Further, INEPL has made arrangements to procure surplus rice from Food Corporation of India (FCI).

Weaknesses

Expected leveraged capital structure

The company's capital structure is expected to remain below average marked by low networth base and high gearing over the medium term. The tangible net worth of the firm improved to Rs.2.66 Cr as on 31st March, 2022 due to accretion of reserves. INEPL proposes to setup a 60 KLPD Grain based Distillery to produce Fuel Ethanol (AA) along with 2.5 MW captive power plant and up to 35 TPD DDGS Cattle Feed from Waste / Damaged Grains at Satna, Madhya Pradesh. The total cost of project is Rs.97.00 Cr which is to be funded partly through Rs.77.50 Cr term loan from Bank, Rs.14.58 Cr as unsecured loan and remaining from promoter's contribution. The financial closure has been achieved. In this project, up to February 2023, the firm has incurred Rs.31.13 Cr which has been funded by term loan of Rs. 17.21 Cr, unsecured loan of Rs.4.5 Cr and promoter's funding of Rs. 9.42 Cr. In FY23-24, the firm is expected to use the remaining sanctioned amount. The scheduled time for commercial date of operations is 8th June, 2023. Therefore, going forward gearing of the company is expected to deteriorate as the company will take incremental debt for the completion of the aforementioned project. Acuité believes that going forward the financial risk profile of the firm is expected to be below average due to leveraged capital structure over the medium term.

Exposure to implementation risk due to early stages of project development

INEPL is scheduled to commence its project in October 2023 and has already completed the civil construction structure as on January 2023. The company is exposed to execution risk as ~44 per cent of the project cost is yet to be incurred. Previously, the management expects the commencement of commercial operations in June 2023. However, the project got delayed due to delay in disbursement of loans from the banks. Currently, the company expects the project to be commercialized in October, 2023. Ability to execute the project in a timely manner with no cost or time overruns and early stabilization of the project are key credit sensitivities. Acuité would continue to monitor the project progress, and the track record of operations, once commercialised, and take rating actions appropriately.

Rating Sensitivities

- Timely completion of the project without any cost or time overrun
- Timely stabilisation of operations

All Covenants

None

Liquidity Position **Adequate**

The company's adequate liquidity position is expected to support debt servicing in the near-to- medium term on account of presence of escrow accounts to ensure timely repayment. Furthermore, debt service reserve account (DSRA) requirement for meeting three months' interest and one month quarterly instalment servicing requirement shall be created by the company within a year upfront upon achieving COD, post completion. Net cash accrual is expected to be adequate in FY25. The promoters are expected to infuse equity and unsecured loans to support the business. However, timely implementation of the project

and generation of expected cash accrual will be key rating sensitivity factors

Outlook: Stable

Acuité believes that INEPL will maintain a 'Stable' outlook on the basis of the strong demand in the ethanol industry. The outlook may be revised to 'Positive' in case of timely stabilisation of operations. Conversely, the outlook may be revised to 'Negative' in case of slippages in project execution, significant cost over-run resulting in deterioration in the liquidity and leverage position on a prolonged basis

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 22 (Actual) | FY 21 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 0.54 | 1.84 |
| PAT | Rs. Cr. | 0.03 | 0.08 |
| PAT Margin | (%) | 5.30 | 4.16 |
| Total Debt/Tangible Net Worth | Times | 0.23 | 0.14 |
| PBDIT/Interest | Times | 28.59 | 243.42 |

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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 |
|---------------|----------------|-------------|------------------|----------------|----------------|------------------|-------------------|-------------------------------|
| Indian Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 7.50 | ACUITE B+ Stable Assigned |
| Indian Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 77.50 | ACUITE B+ 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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