

SLB Ethanol Private Limited

March 26, 2024

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|---------------------------|------------------|---|---|
| Long Term Bank Facilities | 229.00 | CARE BB+; Stable; ISSUER NOT COOPERATING* | Rating moved to ISSUER NOT COOPERATING category |

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has been seeking information from SLB Ethanol Private Limited (SLB) to monitor the ratings vide e-mail communications dated March 18, 2024, March 07, 2024, February 09, 2024, etc. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings.

In line with the extant SEBI guidelines, CARE Ratings has reviewed the rating on the basis of the best available information which, however, in CARE Ratings opinion is not sufficient to arrive at a fair rating. The rating of SLB's bank facilities will now be denoted as **CARE BB+; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating assigned to the bank facility of SLB is constrained by the nascent stage of project execution and leveraged financial profile. The ratings also take note of the fact that the company is yet to enter into any firm agreements for supply of raw materials and offtake for ethanol. However, strong Government initiatives towards use of ethanol for blending and location of the plant in proximity to Oil Marketing Companies (OMCs) depots are factored in positively.

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers:

At the time of previous rating published on March 31, 2023, the following were the key rating drivers:

Key weaknesses

Project implementation risk

The company is setting up green field project to manufacture ethanol from grain-based distillery. The project is in nascent stage of project implementation. The construction of the project commenced during October 2022 and the commercial date of commencement of operation is estimated on April 01, 2024. The company has incurred 21% of the overall project cost as on January 25, 2023. The project is the first venture of the promoters in the biofuel space and hence the company has tied up with M/s. Praj Industries Limited for the implementation of Ethanol project. The company is yet to enter into any agreement for supply of raw material and tie up with OMCs for offtake of ethanol. Availability of the requisite quantity and quality of raw material would be important to achieve the operating parameters and scale up operations efficiently.

Leveraged financial profile

The overall project cost for setting up the plant is estimated at Rs.269 Cr and will be funded by debt component of Rs.229 Cr and the promoter contribution of Rs.40 Cr, making the debt-to-equity ratio at 5.73:1. The leverage for the project is on the higher side. However financial closure has been obtained from the bank for the debt component. Out of the promoter component of Rs.40 Cr; Rs.28 Cr has been brought in as on January 25, 2023. Considering that the project may take time to stabilize in the initial years of operations, the leverage levels are expected to be even higher.

Key strengths

Rising demand for fuel grade ethanol augmented by GOI initiatives

There has been various measure announced but the Government of India for achieving 20% ethanol blending with petrol by 2025 to reduce India's import dependence on energy security/forex spending and to cut down on fossil fuel emissions. Incentives include interest subvention etc.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Project location advantage

Project is located at SIPCOT, Thiruvallur (location bordering Tamil Nadu and Andhra Pradesh) which is close to many OMC depots of the said states and rice growing areas.

Liquidity: Stretched

The project is a highly leveraged project. Timely completion of the project with the cost estimates and timelines would be critical. Any delay in completion or stabilization of operations will have a significant bearing on the liquidity profile given the significant repayments and interest outflow.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Project stage companies](#)

About the company and industry**Industry classification**

| Macro Economic Indicator | Sector | Industry | Basic Industry |
|--------------------------|-----------|----------------------------|---------------------|
| Commodities | Chemicals | Chemicals & Petrochemicals | Commodity Chemicals |

SLB Ethanol Private Limited was incorporated in June 2019 and is setting up grain-based ethanol distillery to produce 200 KLPD of ethanol along with 5.3 MW captive power generation plant. SLB is floated as a new venture by the promoters of Dinamalar Publication House. Day to day operations of SLB is being overseen by Mr. Lakshmiopathy (Adarsh) Ramasubbu, a third-generation entrepreneur from the Dinamalar Group. He is supported by other third generations entrepreneurs of the group such as Mr. Adimoolam Lakshmiopathy, Mr. Ramasubbu Krishnamurthy and Mr. Venkataraman Krishnamurthy.

| Brief Financials (₹ crore) | March 31, 2021 (A) | March 31, 2022 (A) | March 31, 2023 (A) |
|----------------------------|--------------------|--------------------|--------------------|
| Total operating income | 0.00 | 0.00 | 0.00 |
| PBILDT | 0.00 | -0.02 | -0.36 |
| PAT | 0.00 | -0.42 | -0.36 |
| Overall gearing (times) | NM | 2.74 | 3.17 |
| Interest coverage (times) | NM | -0.05 | NM |

A: Audited; NM: Not meaningful; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|------------------------|------|-------------------------------|-----------------|----------------------------|-----------------------------|---|
| Term Loan-Long Term | | - | - | 31-12-2033 | 229.00 | CARE BB+; Stable; ISSUER NOT COOPERATING* |

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|--|-----------------|------------------------------|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 |
| 1 | Term Loan-Long Term | LT | 229.00 | CARE BB+; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB+; Stable (31-Mar-23) | - | - |

*Issuer did not cooperate; based on best available information.

LT: Long term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable**Annexure-4: Complexity level of the various instruments rated**

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|------------------------|------------------|
| 1 | Term Loan-Long Term | Simple |

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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