

SRC Ecotex (India) Private Limited

April 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	145.00	CARE BB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in ratings assigned to the bank facilities of SRC Ecotex (India) Private Limited (SEIPL) continues to remain constrained by delay in project execution leading to time and cost overrun and pending project implementation risk. The rating, however, derives strength from experienced and resourceful promoters, strong counter party risk offtake, presence of Tolling Agreement with Reliance Industries Limited (RIL), favourable industry and favourable location.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Successful completion of the project without any further cost or time overrun.

Negative factors

- Further delay in project implementation leading to time and cost overrun by 20%.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects SEIPL's ability to complete the project given the experience of its promoters in similar line of business and commence operations within envisaged revised timelines.

Detailed description of the key rating drivers:

Key weaknesses

Delay in project leading to cost and time overrun: There was delay in implementation of the project due to delay in the financial closure. The company received sanction of Rs 144 crore from Union Bank of India in the month of September 2022 but due to delay in the documentation work, the first disbursement was done on March 31, 2023. There was further delay in the civil works because of an initial miscalculation in the structural designing process. Some portion of construction work was redone once the error was rectified. As a result, the commencement date of its operations has been revised to October 2024. The project cost has also been revised from initial Rs 215 crores to Rs 226.50 crores. The civil work for the production shed is 70% completed now and will be 100% completed by next 3 months. The machinery for the plant will be imported by April and the erection work will start.

Project implementation risk: Original project cost was estimated at Rs.215 crore based on TEV report of Dun & Bradstreet dated February 8, 2022, and it was envisaged to be funded by term loan of Rs 144 crore and promoter contribution of Rs 70 crore at a D:E ratio of 2.07x. The project cost is expected to increase by Rs. 11.50 crore to Rs 226.50 crore due to increase in cost of procurement of Plant & Machineries, which will be funded through term loan of Rs. 144 crore and Rs.81.50 crore by way of equity capital by promoters. Increase cost shall be funded through promoter infusion and no additional debt is proposed for the same yet. The promoters have already infused Rs. 48 crores of equity and unsecured loans of Rs. 2.56 crore infused (from promoters) as of March 31, 2023. Financial closure has been achieved and Rs. 144.00 core of debt has been tied-up with Union Bank of India. The project is expected to be completed and start commercial operations from October 2024. With considerable progress of project yet to be executed, the company faces the project implementation risk.

Key strengths

Experienced promoters and management in similar line of business: The Company is promoted by Mr P. V. Ravindra, Mr G. C. Shekar Reddy, Mr Y. Rajashekar and Mr M. Srinivas Chakravarthy. The promoters have been in similar line of business for more than 11 years since they are the promoters of Srichakra Poly Plast India Private Limited which is into end-to-end recycling and plastic waste management company and manufacturer of plastic recycling products for multinational corporations.

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

Successful tie up with RIL on Tolling Agreement: SEIPL has signed "Tolling agreement" with Reliance Industries Limited (RIL) on January 14, 2022, and will exclusively run the plant for RIL for a period of ten years and shall design, engineer, procure, construct, install, operate, maintain, improve and modify the plant in consultation with RIL. With the tolling agreement in place, the company gets management fee for processing products and recovers the cost of manufacturing and financing costs including interest on term loans and return on equity, thereby mitigating input costs volatility and off-take risk. RIL will also assist SEIPL in implementing project and will be the part of management decisions in project implementation.

Strong Counter Party risk offtake: Reliance Industries Limited currently recycles PET bottles at its Barabanki, Hoshiarpur and Nagothane plants. The post-consumer PET bottles are used as a raw material for manufacturing re-cycled polyester fibre. Currently, the company converts more than 2 billion post-consumer PET bottles into fibres annually. With addition of SEIPL capacity, RIL will be instrumental in converting about 5 billion used PET bottles into value-added fibres.

Strong alliance with shared vision to reduce plastic waste: RIL's vision is to create a sustainable zero carbon business and support entrepreneurs in taking risk and empower them to create wealth out of waste by setting up recycling business. Srichakra's dedication to reducing plastic pollution will be bolstered by the cooperation, which will help both groups promote India's circular economy for plastic waste. Srichakra will be able to research, invent, and develop high-quality, sustainable goods for RIL's GreenGold portfolio thanks to RIL's industry expertise, technical knowledge, and financial assurances.

Stable industry outlook: The global polyester market is expected to reach USD 151.60 billion dollars by 2028 growing at a rapid pace with a CAGR of 8.2%. The global demand is expected to continue growing because of its affordability, durability and versatility. The increasing focus on sustainability is driving the demand for the recycled polyester staple fibre (PSF), polyester fibre fill (PFF) and washed PET flakes. The Indian polyester market is also set to witness a rapid growth. Rising disposable income is leading to increased demand for clothing and other textile products. The demand for synthetic fibre in India is increasing because of its affordability and durability. Indian companies are focusing on adoption of recycled polyester for sustainable productions. Government initiatives such as "Make in India" is also promoting the textile industry and supporting the adoption of recycle polyester.

Liquidity: Adequate

The liquid position of the company remained adequate. The term loan has repayment moratorium of 24 months including construction period and the repayment of term loan is 84 monthly instalments from FY24-25. Furthermore, DSRA of 3 months of principal and interest to be maintained after COD is attained. Hence to meet the above obligation, the company will generate the sufficient accruals in projected period.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

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

[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
Diversified	Diversified	Diversified	Diversified

Nellore (Andhra Pradesh) based SRC Ecotex (India) Private Limited (SEIPL) is a Private Limited Company incorporated in 2017. The company is promoted by Mr P.V.Ravindra, Mr G.C.Shekar Reddy, Mr Y Rajashekar and Mr M.Srinivas Chakravarthy. The promoters have been in similar line of business for more than 11 years since they are the promoters of Srichakra Poly Plast India Private Limited which is into end-to-end recycling and plastic waste management company and manufacturer of plastic recycling products for multinational corporations. SEIPL is proposing to establish a greenfield project at Nellore Andhra Pradesh for manufacturing Polyester staple fiber (PSF), Polyester fiber fill (PFF) and washed PET Flake.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	0.47	0.00	0.00
PBILDT	0.36	-1.52	-2.65
PAT	-1.20	-1.24	-3.29
Overall gearing (times)	0.03	0.00	0.63
Interest coverage (times)	2,323.96	-4,145.67	-2.74

A: Audited; 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
Fund-based - LT-Term Loan		-	-	30-04-2033	145.00	CARE BB+; Stable

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	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (12-Jan-22) 2)CARE B-; Stable; ISSUER NOT COOPERATING * (19-Aug-21)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (25-Jun-20)
2	Fund-based - LT-Term Loan	LT	145.00	CARE BB+; Stable	1)CARE BB+; Stable (17-May-23) 2)CARE BB; Stable (02-May-22)	1)CARE BB-; Stable; ISSUER NOT COOPERATING * (31-Mar-23) 2)CARE BB; Stable (02-May-22)	-	-

*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	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

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

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Karthik Raj K Director CARE Ratings Limited Phone: +91-80- 46625555 E-mail: karthik.raj@careedge.in
Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Y Tejeshwar Reddy Assistant Director CARE Ratings Limited Phone: +914040102030 E-mail: Tejeshwar.Reddy@careedge.in
	Ankit Jha Rating Analyst CARE Ratings Limited E-mail: Ankit.Jha@careedge.in

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