

Shaktichem Private Limited

May 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	167.00	CARE BB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Shaktichem Private Limited (SPL) continue to be constrained by its highly leveraged on-going project with some time overrun, exposure to availability of feedstock which is dependent on agro-climatic conditions and susceptibility of profitability to volatile input prices.

The ratings, however, positively factor in experience of promoters in alcohol processing, strong Government initiatives towards use of ethanol for blending, location of the plant in proximity to Oil Marketing Companies' (OMCs) depots and execution of project by reputed vendor.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Completion of the project within envisaged time and cost parameters as well as achieving envisaged scale and profitability.

Negative factors

- Any significant delay in project implementation or cost overrun, resulting in moderation in financial risk profile
- Any change in Government policies adversely impacting the business of the entity

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that SPL shall continue to benefit from its experienced promoters and positive outlook for ethanol blending.

Detailed description of the key rating drivers:

Key weaknesses

On-going project with time overrun

As on March 31, 2024, around 56% of the project cost has been incurred mainly towards land and construction cost and machinery. Earlier, project was expected to commence operations from April 01, 2024. However, due to delay in machinery procurement owing to high demand for the same, the date of commissioning is now expected from July 01, 2024. Despite time overrun, no cost overrun is expected. Furthermore, SPL has appointed Praj Industries Limited for project execution, which is a renowned player in setting up distilleries, providing some comfort from credit perspective. Timely completion, stabilization and scaling up of project shall be a key rating monitorable.

Leveraged financial profile

The overall project cost for setting up the plant is estimated at Rs.201 crore, funded by term loan of Rs.167 crore, and promoter contribution of Rs.34 crore, resulting in debt-equity ratio of 4.9:1. Out of its total capacity, SPL plans to sell around 25% of the total output to pharma companies, for which its parent company Shakti Distilleries already has clientele. However, generation of envisaged revenue and profitability remains to be seen. Considering high project leverage, timely stabilisation of the operations shall be critical for the credit risk profile.

Susceptibility of profitability to volatility in input prices

SPL plans to use grain (rice and maize) as its raw material to produce Ethanol and since grain prices are largely dependent on the vagaries of nature; any adverse change in the same might impact the profitability of the company. However, since the price of Ethanol is linked to the procurement price of the damaged and nonedible food grain, any price changes in raw material is likely to have a corresponding adjustment of the Ethanol selling price.

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

Key strengths

Experienced promoters

SPL is a part of Shakti group, formed with the inception of Shakti Distilleries Pvt. Ltd. (SDPL) in 2002 with a view to promote green fuel Ethanol. SDPL started with providing ethanol for blending and gradually shifted to pharmaceutical sector with improvement in product quality.

Rising demand for fuel grade ethanol augmented by Government initiatives

The Government of India has set a target to achieve 20% ethanol blending by 2025 and thus there is a huge gap in the demand and supply of ethanol. To promote production of ethanol, government has taken few initiatives such as interest subvention. Project has already been appraised and approved by DFPD (Department of Food and Public Distribution). Furthermore, Company has received Expression of Interest (EOI) from all three public OMCs, Hindustan Petroleum Corporation Limited, Bharat Petroleum Corporation Limited and Indian oil Limited for the annual offtake of 1.95 crore litre of ethanol.

Favourable Project Location

Project is located at Bharuch, Gujarat which is close to many OMC depots and rice growing areas. Proximity to OMC depots is advantageous as transportation cost is to be borne by OMCs as per government's Ethanol Blending Programme (EBP).

Liquidity: Stretched

The liquidity of SPL remained stretched marked by highly leveraged project. Thus, timely completion of the project within the time and cost estimates would be critical for its liquidity profile. Any further 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](#)

[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

SPL was incorporated on 24th February 2021. The company is in process of setting up a 110 KLPD (Kilo liter per day) Grain Based Ethanol Distillery (of which 75% is grain-based ethanol for sale to OMCs (Oil Marketing Companies) under GOI's Ethanol Blending Programme (EBP)) by utilizing feedstock of rice/ Maize. The company will use 25% of total capacity to produce Anhydrous Extra Neutral Alcohol for sales to Pharma companies. It is also setting up 4 MW of captive power plant at Village Sunev Kalla, Bharuch District, Gujarat. The project is still under construction phase and the scheduled commissioning date is July 01, 2024. Shaktichem Private limited is part of Shakti group, formed with the inception of Shakti Distilleries Pvt Lt d in 2002 with a view to promote green fuel Ethanol. Shakti distilleries Private Limited holds 99.99% shares of Shaktichem Private Limited.

Brief Financials: Not applicable since company is a project phase entity.

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		-	-	20-03-2033	167.00	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 2024-2025	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
1	Term Loan-Long Term	LT	167.00	CARE BB; Stable	-	1)CARE BB; Stable (31-Jul-23)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short 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

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: +91-22-6754 3404 E-mail: saikat.roy@careedge.in	Analytical Contacts Kalpesh Ramanbhai Patel Director CARE Ratings Limited Phone: +91-079-4026 5611 E-mail: kalpesh.patel@careedge.in Anuja Parikh Assistant Director CARE Ratings Limited Phone: +91-079-4026 5616 E-mail: anuja.parikh@careedge.in Harsh Shah Rating Analyst CARE Ratings Limited E-mail: Shah.Harsh@careedge.in
---	--

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**