

RKV Spirits Private Limited

August 21, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	110.00 (Enhanced from 100.00)	CARE B+; Stable	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the proposed bank facilities of RKV Spirits Private Limited (RSPL) is constrained by delay in implementation of the project owing to delayed receipt of environmental clearance, adverse weather conditions at project site leading to shift in Scheduled Commercial Operation Date (SCOD) from April 2024 to April 2026, and cost overrun for the project by Rs.19.07 crore. Further, rating continues to remain constrained by project implementation and stabilization risk associated with on-going debt funded capex marked by nascent stage of operations, limited experience of promoters in the ethanol industry. The rating, however, derived comfort from company 'locational advantage' available for the project site with close proximity to raw materials procurement sources and favourable industry prospects.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely infusion of equity by promoters and funding of debt within projected timeline.
- Successful commissioning of the commercial operations within the projected budget and timeline.

Negative factors

- Any further cost or time over run leading to delaying cash flows from the project or creating tightening of the company's liquidity position.
- Lower than envisaged profitability and overall gearing resulting in the significant deterioration in operational & financial performance of the company.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that company's ability to commissioning of ethanol plant within the revised timeline.

Detailed description of the key rating drivers:

Key weaknesses

Limited experience of promoters in the ethanol industry: The company is promoted by Saini family, having an experience of more than three decades in varied businesses such as iron and steel, LPG cylinders and poultry farm, among others. However, promoters have limited experience in successfully commissioning and running of green field projects.

Delay in commissioning of commercial operation with some cost overrun: RSPL is setting-up a grain based 100 kilo litres per day (KLPD) of distillery in Solan district of Himachal Pradesh, in line with the Government of India (GOI's) Ethanol Blended petrol (EBP) program launched in 2003. However, the Commercial Operation Date (COD) postponed to April 2026 in contrary to SCOD of April 2024. This delay is primarily on account of exceptionally heavy rainfall caused severe flooding, landslides, and infrastructure damage across the region during FY24 (refers to period April 01, 2023 to March 31, 2024) coupled with delay in clearance from Ministry of Environment.

Further, there is some cost overrun of Rs.19.07 crore with revised project cost of Rs.167.75 crore funded through a mix of term loan amounting to Rs.107.00 crore and equity of Rs.60.75 crore, in contrast to the initial estimates of Rs.148.68 crore (funded through equity infusion of Rs.44.00 crore, unsecured loans of Rs.4.68 crore and term loan of Rs.100.00 crore). The increase in project cost is primarily on account of shift to a multi-fuel boiler, increased site development costs, and higher finance costs during the construction period.

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

Key strengths

Locational advantage: The company has procured 32 acres of land to set-up grain-based ethanol distillery at village Mohal Beed Palsi of Solan district of Himachal Pradesh. The plant is located in North-Indian region, Punjab and Haryana which are the major paddy producing states, having highest number of rice mills which facilitates procurement of grains and other agro based products during season.

Favourable Industry Prospects: Government of India had advanced the target of achieving 20% ethanol blending in petrol by 2025 from 2030 earlier. As per ISMA, 3.4 million tonnes of sugar equivalent are estimated to be deviated towards ethanol production using diversion of sugarcane juice, sugar/sugar syrup, B-heavy molasses and C-heavy molasses. The Department of Food and Public Distribution (DFPD), Ministry of Consumer Affairs, Food and Public Distribution, Government of India (GoI) with a view to increase production of ethanol and its supply under Ethanol Blended with Petrol (ESP) Programme, has notified a scheme "Scheme for extending financial assistance to project proponents for enhancement of their ethanol distillation capacity or to set up distilleries for producing 1st Generation (1G) ethanol from feed stocks such as cereals (rice, wheat, barley, corn & sorghum), sugarcane, sugar beet etc." The said scheme is for providing financial assistance, which is in the form of interest subvention @6% p.a. or 50% of ROI charged by bank on the loan amount sanctioned and disbursed limited to in principle approval by Department of Food & Public Distribution. The target of achieving 20% ethanol blending would require supply of around 1,000 crore litres of ethanol per year. According to reports, such quantities of ethanol would necessitate 16% Compound Annual Growth Rate (CAGR) in the capacity of molassesbased distilleries and a steep 30% CAGR in the capacity of grain-based distilleries.

Liquidity: Stretched

Currently, the project has not commenced and is scheduled to start by April 2026 as against initial COD of project in April 2024. The liquidity position remains dependent on timely completion of project with stabilization and streamlining of revenues and company's fund infusion in the form of promoter's contribution to the tune of Rs.60.75 crore of which Rs.22.00 crore has been infused till March 31, 2024 (and balance in the form of term loan of Rs.107.00 crore). Further the ability to timely achieve financial closure for the increased debt remains critical for project progress, as the initial sanction was cancelled and drawdown was not availed.

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
Commodities	Chemicals	Chemicals & Petrochemicals	Commodity Chemicals

RKV Spirits Private Limited (RSPL) was incorporated January 2021 by Saini brothers, who have an existing experience of more than 3 decades in varied businesses such as iron and steel, LPG cylinders and poultry farm, among others. The company is setting up a greenfield project for the manufacture of fuel ethanol and ENA alongside it's by-product, animal feed. The same is under the ambit of Ethanol Blending Programme (EBP) policy of GOI.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	Q1FY25 (UA)
Total operating income	0.00	0.00	NA
PBILDT	0.00	0.00	NA
PAT	0.00	0.00	NA
Overall gearing (times)	-57.60	0.17	NA
Interest coverage (times)	1.00	0.00	NA

A: Audited UA: Unaudited NA: Not Available; 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		-	-	-	110.00	CARE B+; 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	Fund-based - LT-Term Loan	LT	110.00	CARE B+; Stable	1)CARE B+; Stable; ISSUER NOT COOPERATING* (27-Jun-24)	1)CARE BB-; Stable (31-May-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	Fund-based - LT-Term Loan	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.

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About us:

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