SRC Ecotex (India) Private Limited

April 09, 2025

Facilities/Instruments	Amount (Rs. 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. Although, the project is at the advance stage of completion with expected COD in May 2025. The rating continues to derive strength from experienced and resourceful promoters, presence of Tolling Agreement with Reliance Industries Limited (RIL) reflecting a strong counterparty support, strategic alliance with shared vision to reduce plastic waste, favourable industry and favourable location. The rating also factors the acquisition of 26% stake in SEIPL by Reliance Polyester Limited as on December 31, 2024.

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 key rating drivers:

Key weaknesses

Delay in project leading to cost and time overrun:

Initially, the project was planned to commence in October 2023 but was delayed to September 2024 due to delays in bank loan disbursements and changes in project structural design on account of initial miscalculation. The COD was further postponed to May, 2025, on account of installation of additional machineries, which increased civil construction and other related work. These additional machineries were installed to enhance operational efficiency and product quality as per the RIL standards. Nevertheless, the project is at the advanced stage of completion.

Advanced stage of project completion albeit stabilization risks: The project's original cost was estimated at Rs. 215 crores, funded by a Rs. 145 crore term loan and Rs. 70 crore promoter contribution at a D:E ratio of 2.07x. As of the latest TEV report of Dun & Bradstreet dated March 13, 2025, the cost has increased to Rs. 247 crores (including GST) due to expanded civil work to accommodate additional installation of machineries for enhancing productivity and quality of the products. The upgrades in the machineries are implemented post discussions with RIL. The additional cost will be covered by promoter funds and an additional proposed term loan of Rs. 15.70 crore, bringing the final funding structure to Rs. 159.70 crore in term loans and Rs. 87.32 crore from the promoters. As of February 12, 2025, promoters have infused Rs. 63.22 crore in equity and Rs. 21.91 crore in unsecured loans. Financial closure was achieved with a Rs. 144 crore sanctioned loan from Union Bank of India, with the additional Rs. 15.70 crore loan in the final stage with the said bank. The project is at the advance stage of completion and expected to start commercial operations from May 2025. Project stabilization in a timely manner, thereby leading to sustainable increase in the scale of operations would remain key rating monitorable.

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

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. Furthermore, as of December 31, 2024, Reliance Polyester Limited (a wholly owned subsidiary of RIL) has acquired a 26% stake in SEIPL, indicating RIL's involvement in the business operations.

Successful tie up with RIL on Tolling Agreement basis:
In August 2021, Reliance Industries Limited (RIL) announced plans to double its PET recycling capacity by establishing a recycled polyester staple fiber (PSF) manufacturing facility in Andhra Pradesh. SEIPL will build and operate the facility exclusively for RIL under a Tolling Agreement signed on January 2022.
Under this 10-year contract, SEIPL will design, procure, construct, install, operate, and maintain the plant in consultation with RIL. The tolling agreement ensures SEIPL receives a management fee for processing, covering manufacturing costs, financing expenses, and return on equity, thereby mitigating input cost volatility and off-take risks. RIL will also assist SEIPL in project implementation and participate in key management decisions.

Strong Counter Party risk offtake:
Reliance Industries Limited (RIL) currently recycles PET bottles at its Barabanki, Hoshiarpur, and Nagothane plants, using post-consumer PET bottles as raw material for manufacturing recycled polyester fiber. The company already converts over 2 billion PET bottles annually, and with the addition of SEIPL's capacity, this figure is expected to reach 5 billion bottles, contributing significantly to sustainability efforts. RIL also maintains a strong debt servicing record and low credit risk, with a gearing ratio below unity, reflecting its financial stability.

Strategic alliance with shared vision to reduce plastic waste:
RIL aims to build a sustainable, zero-carbon business by supporting entrepreneurs in transforming waste into wealth through recycling initiatives. The collaboration with SEIPL strengthens efforts to reduce plastic pollution and advance India's circular economy for plastic waste. With RIL's industry expertise, technical knowledge, and financial backing, SEIPL will be able to research, innovate, and develop high-quality, sustainable products for RIL's Green Gold portfolio, reinforcing their shared commitment to sustainability.

Major pre-COD approvals in place:
Major pre-construction and pre-COD approvals have been obtained, including Environmental Clearance (EC) from MOEFCC, Factory Plan Approval from the Director of Factories, AP, Provisional Fire NOC, Consent to Establish (CTE) from the State PCB, Power Connection, and EPCG License. Other necessary approvals such as CTO, CEIG approval, Boiler Inspector approval, and Fire NOC for occupancy are also in place for commencing commercial operations. Additionally, key pending approvals include those from the Inspector of Factories, Factory License, and Groundwater Extraction Permit.

Favourable Location:
The location of the plant is ideal for a manufacturing unit considering proximity to ports & highways hence easy logistics for Raw Material procurement & delivery catering to South India. The land is easily accessible from National Highway - NH- 16 (Chennai – Srikakulam – Kolkata Highway). NH- 16 is within Five KM from the project site. The project land is close to Krishnapatnam port and Tirupati Airport. Proposed utilities such as freshwater accessibility, High tension power grid supply, Wastewater treatment facilities are adequate and available to carry out the project,

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 liquidity position of the company remained adequate. The term loan has repayment moratorium of 9 months and the repayment of term loan is 84 monthly instalments from March 2026. Furthermore, DSRA of 3 months of principal and interest to be maintained after COD. Hence to meet the above obligation, the company is expected to generate sufficient accruals in projected period due to confirm offtake with RIL, which would provide regular business to SEIPL.

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

Macroeconomic 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 Polyster staple fiber (PSF), Polyster fiber fill (PFF) and washed PET Flake.

Brief Financials (Rs. crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	0.00	0.00	0.00
PBILDT	-1.52	-2.65	-3.78
PAT	-1.24	-3.29	-4.68
Overall gearing (times)	0.00	0.63	1.97
Interest coverage (times)	-4,145.67	-2.74	-4.20

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 (Rs. crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	February 2033	145.00	CARE BB+; Stable

Annexure-2: Rating history for 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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	145.00	CARE BB+; Stable	-	1)CARE BB+; Stable (03-Apr-24)	1)CARE BB+; Stable (17-May-23)	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 rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of 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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	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: 912267543404 E-mail: saikat.roy@careedge.in	Mohammed Javed Ansari Assistant Director **CARE Ratings Limited** Phone: 914040020131 E-mail: Mohammed.A@careedge.in Ashish Raj Analyst **CARE Ratings Limited** E-mail: Ashish.Raj@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.

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