CHIRIPAL

CIL Nova
Petrochemicals Limited
Regd. Office & Factory: 396(P)-395/4 (P), Moraiya Village, Sarkhej-Bavla Highway, Ahmedabad-382 210. Gujarat, (India)
Tele : 079 - 29798623
Email : investorgrievances.cilnova@chiripalgroup.com
Web. : www.cnpcl.com
CIN : L17111GJ2003PLC043354

**3rd April, 2024**

To,
BSE Limited
Compliance Department,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400001
Maharashtra
**Ref: Security Code: 533407**

**Sub: <u>Intimation of Credit Rating under Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements Regulations, 2015.</u>**

Sir/Madam,

This is in reference to the above captioned subject line and to inform Stock Exchange that Brickwork Ratings India Pvt. Ltd. has assigned **Long Term Rating of IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook).**

Kindly take the same on your record and oblige**.**

**For, CIL Nova Petrochemicals Limited**

MURLIMANOHAR
RAGHUNANDAN
GOYAL

Digitally signed by MURLIMANOHAR RAGHUNANDAN GOYAL
DN: c=IN, o=Personal, postalCode=400056, l=Mumbai, st=Maharashtra, street=Flat No-11 Anushil Building Irla, Mumbai, Mumbai Maharashtra India- 400056- Opposite Irla Nursing home, title=4335, 2.5.4.20=b2c3b7a04ce3366b50fd9ad11b12e974be3d2a3e9f6b04949db93e928fdc3acb, serialNumber=96356af67f3bf12d92ebd5afecb48ab870e03b03dc3b6bd8510b1c7c28280100, email=murlirgoyal@gmail.com, cn=MURLIMANOHAR RAGHUNANDAN GOYAL
Date: 2024.04.03 16:36:41 +05'30'

**Murlimanohar Goyal**
**Director**
**DIN: 02329431**

**Encl.: Copy of Credit Rating Letter issued by Infomerics Ratings.**

## CIL Nova Petrochemicals Limited

**March 30, 2024**

**Ratings:**

| Instrument / Facility | Amount (Rs. crore) | Ratings | Rating Action | Complexity Indicator (Simple/ Complex/ Highly complex) |
|---|---|---|---|---|
| Long Term Bank Facilities | 256.00 | IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook) | Assigned | Simple |
| **Total** | **256.00 (Rupees Two hundred and Fifty-six Crores only)** | | | |

**Details of Facilities are in Annexure 1**

**Detailed Rationale**

The assigned rating to the proposed bank facilities of CIL Nova Petrochemicals Limited derives strengths from the established track record and experienced promoters, locational advantage and policy initiatives by the Government. The rating is constrained due to susceptibility of operating margin to volatile raw material prices, exposure to government regulations towards offtake agreement and project execution risk.

**Key Rating Sensitivities:**

**Upward Factors**

- Project to be completed without any cost and time overrun.
- Stabilization and growth of operations as envisaged

**Downward Factors**

- Project gets delayed with cost and time overrun.

**List of Key Rating Drivers with Detailed Description**

**Key Rating Strengths**

**Established track record and experienced promoters:**
CIL Nova Petrochemicals Limited is a part of Chiripal group; a family-owned business founded by Mr. Ved Prakash Chiripal. He is the founder member of Chiripal group and has been involved in developing the group from 1972 to present. He has experience of five decades in various industries such as textiles, petrochemicals, infrastructure, real estate, renewable energy sector and others. The daily operations are looked after by Mr. Jyotiprasad Chiripal and is ably assisted by team of experienced team having experience of more than two decades. The group have established relationships with its clientele.

**Locational advantage**
The manufacturing facilities of CNPL is situated in Gujarat. The Company will be able to procure the raw material for the project given the number of rice mills and FCI godowns in the region thereby providing easy availability of grains to run a grain-based distillery. Accordingly, proximity to the source of raw materials & end user market provides a competitive edge. The project site is well connected through roads, railways, market, communication, power & water resources. The said factors shall provide ease in raw material sourcing and dispatch of product. The site is well connected with road and rail network.

**Policy initiatives by the Government**
In January 2013, the Union government launched the Ethanol Blended Petrol (EBP) programme, which made it mandatory for oil companies to raise ethanol blending in petrol to 20% by 2025 from the current ~10%. The production has grown by a CAGR of nearly 9.3% during 2016-22. Increasing demand for fuel blending as well as from industrial segment has ensured a steady demand for ethanol in the country. In lieu of the above developments and also given that the government currently does not allow import of ethanol for fuel blending, the outlook appears bright for this industry.

**Key Rating Weaknesses**

**Susceptibility of operating margin to volatile raw material prices**

The key raw material for ethanol manufacturing is rice grain, maize, sugarcane, corn etc. Availability and prices both are volatile in nature due to presence of agro-climatic risk and cyclicality in the industry.

**Exposure to government regulations towards offtake agreement**

Ethanol production and demand from OMC's are highly dependent on government regulations. This apart, as per the offtake agreement with OMCs, the principle can terminate its agreement by 30 days' notice if the supplier (CNPL) fails to supply in time or operate the business and any adverse changes in current law/directives comes from Government.

**Project execution risk**

CNPL is currently setting up a manufacturing facility of grain-based distillery of 300 KLPD capacity to produce ethanol under the Ethanol Blending Program scheme launched by GOI and 6.42 MW power plant for captive use. Currently, the company has floated a greenfield project to set up the manufacturing unit at Sanand, Ahmedabad. It is essential for the company to adhere to the timelines as per the implementation schedule and strictly monitor the site activities to avoid delays in implementation. The total project cost is Rs. 323.09 crore which will be financed by combination of sale proceeds from sale of machinery to the extent of Rs. 50 crore, unsecured loan Rs.17.09 crore, term loan of Rs. 256 crores. Financial closure with the banks is in process. The company has incurred ~Rs. 32.87 crore till mid-March 2024 which is financed from unsecured loans of Rs. 17.47 Cr. and balance from internal accrual through sale of machine of Rs. 15.40 Crore. The commercial operation shall commence on April 1, 2025 take into account 14–15 months of construction and about 3 months of abeyance towards pre-commissioning trial runs, statutory approvals, and financial closure. Further, acquisition and continuation of offtake agreements is a key monitorable.

**Analytical Approach:** Standalone approach

**Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of assigning rating outlook

**Liquidity –Adequate**

The company is expected to earn a gross cash accrual in the range of ~Rs. 32.80 Crore – 56.64 crore as against its projected debt repayment obligations in the range of ~Rs.24.83 to 31.10 crore per year during FY26-39. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term.

**About the Company:**

CIL Nova Petrochemicals Limited was incorporated in the year 2003 and is a part of Chiripal group; a family-owned business founded by Mr. Ved Prakash Chiripal. The company was erstwhile engaged in manufacturing Polyester Oriented Yarn and Fully Drawn Yarn. On March 31, 2023, the Board of Directors passed a resolution to begin formal process for sale/dispose off of the Polyester Yarn unit through Slump Sale via Business Transfer Agreement (BTA). Further, the company is setting up a manufacturing facility to produce Bioethanol and DDGS with an installed 300 KLPD a grain-based ethanol plant along with a 6.42 MW captive power generation plant at Moriya, Sanand, Ahmedabad. The Company will primarily produce ethanol for blending with petroleum as biofuel and other by-products from broken rice. The outcome of the distillation process is Ethyl alcohol or Ethanol and Dried Distillers' Grains with Soluble (DDGS) as by-product.

**Financials (Standalone):**

The company during the year generated revenue from its erstwhile primary operations until June-2023 and further pursued Job Work service contracts from July 2023 ~categorized under revenue from discontinued operations.

(Amount in Rs. Cr.)

| For the year ended / As on | 31-Mar-2022 (Audited) | 31-Mar-2023 (Audited) |
|---|---|---|
| Total Operating Income | 296.16 | 101.83 |
| EBITDA | 13.84 | -3.47 |
| PAT | 7.84 | -5.93 |
| Total Debt | 26.76 | 0.22 |
| Adj. Tangible Net worth | 93.15 | 87.91 |
| EBITDA Margin (%) | 4.67 | -3.41 |
| PAT Margin (%) | 2.62 | -5.62 |
| Overall Gearing Ratio (times) | 0.29 | 0.00 |

**Classification as per Infomerics standards*

**Status of non-cooperation with previous CRA: None**

**Any other information: None**

**Rating History for last three years:**

| Sr. No. | Name of Instrument/ Facilities | Current Ratings (Year 2023-24) | | | Rating History for the past 3 years | | |
|---|---|---|---|---|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 | Date(s) & Rating(s) assigned in 2020-21 |
| 1. | Proposed term loan | Long-term | 256.00 | IVR BBB-/ Stable | -- | -- | -- |

**Name and Contact Details of the Rating Analyst:**

| |
|---|
| Name: Mr. Jyotsna Gadgil |
| Tel: (022) 62396023 |
| Email: jyotsna.gadgil@infomerics.com |

**About Infomerics:**

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

**Annexure 1: Details of Facilities**

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|---|---|---|---|---|---|
| Proposed term loan | -- | -- | -- | 256.00 | IVR BBB-/ Stable |

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details:**
https://www.infomerics.com/admin/prfiles/len-CILNova-mar24.pdf

**Annexure 4: Detailed explanation of covenants of the rated instrument/ facilities: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com