

Dalvkot Biofuels Private Limited

October 14,2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	93.00	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Assigned
Total Bank Facilities	93.00 (₹ Ninety-Three Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The rating assigned to the bank facilities of Dalvkot BioFuels Private Limited (DBPL) takes into account advanced stage of project completion however the company is exposed to offtake risk as it its yet to enter into firm arrangements with its customers. Further, stabilization of plant in terms of smooth availability of raw materials and continuous un-interrupted operations remains to be seen. The rating is also constrained by the profitability being susceptible to volatility of raw material prices amidst inherent agro-climatic risks.

The rating however derives strength from comfortable project leverage, locational advantages in terms of proximity to raw material availability along with experienced and resourceful promoters.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Capacity utilization above 50% along with sustainable profitability margins of more than 15%

Negative factors – Factors that could lead to negative rating action/downgrade:

- Delay in operationalization of plant or lower capacity utilization levels thereby impacting liquidity profile.

Detailed description of the key rating drivers

Key rating weaknesses

Stabilisation risk

Considering the near completion of the project, the stabilisation of the operations is yet to be seen. With company entering into contracts with its customers in relation to its absorption of its capacity in near to medium term are key monitorable considering competition in the industry and also setting up of any other similar facilities by the competitors nearby the project location may lead to lower-than- envisaged revenues and profitability for the company.

Profitability being susceptible to volatility of raw material prices amidst inherent agro-climatic risks

With raw material costs accounting for majority of the overall cost and limited control over selling prices of ethanol, DBPL's profitability is vulnerable to volatility in raw material (key ingredients – Sugarcane, maize, rice and wheat) prices like other players in the industry as key raw materials, being agricultural crops, are of seasonal in nature, the availability of the same is affected by factors such as changes in weather conditions, low or high rainfall, production levels, etc.

Key rating strengths

Advance stage of project completion with comfortable project leverage

DBPL is setting up 80 KLPD grain & molasses based multi feed distillery plant for production of Ethanol with 40 MT per day CO2 plant and 2.3 MW captive power plant in Ramballi Manadal, Visakhapatnam, Andhra Pradesh. The total project cost is Rs.202 Cr which is financed through Rs.85 Cr of bank debt, ECB of Rs.10.95 Cr from the group company and rest is financed through promoters' funds. The project's financial progress is around 84% as on June 30, 2022 and is expected to start its commercial operations from November 2022. With almost entire promoters' funds being infused, the balance project cost is to be funded through bank loan. The project leverage stood at around 0.73x.

Locational advantages in terms of raw material availability

The plant is situated in Visakhapatnam district of Andhra Pradesh which has an easy access for molasses B & C which can be sourced from nearby sugar factories. The Company also has plans for sourcing molasses from different states like Maharashtra, UP, Tamilnadu and Karnataka. The raw material required for grain-based ethanol product is various types of damages cereal

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

grains which will be required for 330 days of operation. This raw material will be available from the area in which it operates through farmers / traders.

Experienced and resourceful promoters

DBPFL is promoted by Dr. Mahesh Babu. Kottapalli, Mrs. Kalpaja Dalavoi and Mr. Indraprakash Dalawai. Dr. Mahesh B. Kottapalli is a board-certified specialist in infectious disease and internal medicine. As a medical practitioner, practicing medicine for over 20 years in the United States of America. Ms. Kalpaja Dalavoi has an experience in the health sector and operates in the brand name of Vydehi. She is currently director in Vydehi Institute of Medical Sciences and Research Centre and administrative director in Mallya Hospital Bengaluru. Vydehi group Operates into colleges and hospitals in the fields of Medical, dental, nursing biotechnology and many more. The company is technically managed by Mr. Indraprakash Dalawai having more than 20 years of experience in the sugar and alcohol manufacturing industry as production in charge in Karnataka Breweries and Distilleries Private limited.

Liquidity: Adequate

The liquidity profile of the company is adequate considering the promoter contribution, in its entirety, has been bought in and the debt is fully tied up. Furthermore, moratorium for the project loan is available for 12 months from the date of commercial operations gives sufficient time for the company to ramp up its operations. Also, the cash credit limit of Rs.8.00 Cr, which has been sanctioned to the company by its lenders would be available for drawl from the commercial operation date (COD), which is expected to support the liquidity of the company.

Analytical approach: Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Project stage companies](#)

[Sugar](#)

About the company

Dalvkot Biofuels Private Limited (DBPL) is a company incorporated in 2019. The company is setting up a grain& molasses based multi feed distillery for production of Ethanol/ ENA/RS, captive generation power plant with multi fuel boiler at Rambilli Mandal, Visakhapatnam, Andhra Pradesh. The ethanol plant has an installed capacity of 80KLPD grain and molasses for production of ethanol along with 40MT Co2 Bottling plant. DBPL is promoted by Dr. Mahesh Babu Kottapalli, Kalpaja Dalavoi Audikesavulu and Indraprakash DJ and is managed by Indraprakash DJ.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (Prov.)	June 30,2022(Prov.)
Total operating income	0.00	0.00	NA
PBILDT	-0.03	-0.16	NA
PAT	-0.05	-0.21	NA
Overall gearing (times)	0.00	0.68	NA
Interest coverage (times)	-11.04	-21.22	NA

A: Audited; Prov.: Provisional; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	08/02/2032	85.00	CARE BB-; Stable
Fund-based - LT-Cash Credit		-	-	-	8.00	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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	85.00	CARE BB-; Stable	-	-	-	-
2	Fund-based - LT-Cash Credit	LT	8.00	CARE BB-; Stable	-	-	-	-

LT: Long term

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Name of the Instrument	Detailed Explanation
A. Financial covenants	DSRA to be created for 3 months (interest + Principal) The same is to be maintained from the DCCO date.
B. Non-financial covenants	Nil

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Bank lender details for this companyTo view the lender wise details of bank facilities please [click here](#)

Note on 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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