Nakshtra Biofuels Private Limited

September 25, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	110.00	CARE BB; Stable	Assigned
Long Term / Short Term Bank Facilities	70.00	CARE BB; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers:

The ratings assigned to the bank facilities of Nakshtra Biofuels Private Limited (NBPS) are constrained on account of project implementation and post-implementation risk associated with its debt-funded greenfield project, moderate off-take risk due to no long term tie-ups entered and limited past track record of the promoters to execute similar project. The ratings also factor in insusceptibility of profitability due to volatility in raw material prices and risks associated with operating in a regulated industry. However, the ratings derive strength from positive industry prospects towards ethanol plant per ethanol blended petrol (EBP) programme by Government of India (GOI), favourable location of plant for sourcing of raw material & its proximity to Oil Marketing Company (OMC) depots.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely completion and commissioning of the project within envisaged timelines without any time and cost overrun along with required statutory approvals.

Negative factors

- Delay in infusion of promoter's contribution, cost escalation above 10% or time overrun beyond a quarter in the scheduled implementation of the project thereby delaying cash flows or creating tightening of the company's liquidity position.
- Adverse regulatory changes having significant impact on the operations/ financials of the company.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the company is likely to execute the project on time within the envisaged cost.

Detailed description of key rating drivers:

Key weaknesses

Project implementation & post-implementation risk associated with its debt-funded greenfield project: The company is setting up a greenfield project for manufacturing of bioethanol alongside it's by-products, Distillery Dried Grain Soluble (DDGS) & CO2 with an installed capacity of 120 KLPD grain-based ethanol plant, 60-70 TPD DDGS plant & 60 TPD CO_2 plant with a 3MW captive power generation plant at Karnal, Haryana. The company is setting-up grain based ethanal plant having envisaged capex of Rs 174.08 crore against which Rs. 110 crores (~63% of the project cost) has been funded through bank term loan and remaining will be funded through own funds in form of equity infusion & unsecured loans.
The ability of the company to complete the project without any cost escalation with timely infusion of funds by promoters & stabilization and streamlining of revenue post implementation remains to be seen.

Least past track record of the promoters to execute such projects: Company is promoted by Mr. Kaushal Kumar Aggarwal, who has no prior experience in the similar industry which makes it more challenging for the company to smoothly ramp up the operations. Although, company is on advanced stages of completing the project and has hired the experienced & profession team with relevant expertise for smooth ramp up of operations as per the original plan to complete the project by the end of December 2024. Further, the promoters have already infused Rs. 54.79 crores as on July 24, 2024. The company is also supported by Mr. Surender Kumar Goyal, one of the directors of Kutch Chemical Industries Limited (CARE AA-; Stable / CARE A1+) in form of personal guarantee and active guidance & support provided.
The company's ability to complete the project without any time overrun will remain critical for the company to manage the cash flow position.

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

Moderate off-take risk: The company has not entered any long-term offtake arrangement and will be selling through the tender bidding in open market majorly to OMCs & to the private players as per requirement. Absence of any long term tie-up arrangement exposes the company to the offtake risk upon commencement of operations. However, absence of any other major player in the proximity & tender issued by the OMCs on regular intervals moderates the off-take risk up to some extent.

Seasonal nature of availability of paddy and susceptible of margins to raw material price fluctuations: The company's main raw material for ethanol production is maize and rice. With raw material costs accounting for majority of the overall cost and limited control over selling prices of ethanol. Accordingly, stability in raw material prices is critical and any adverse movement in the same may affect the Project sustainability. NBPL's profitability will remain vulnerable to volatility in raw material prices like other players in the industry as key raw materials, being agricultural crops, are 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. However, the risk is partly mitigated by regular revision of prices for ethanol by the Government on regular intervals based on the prevailing raw material prices.

Risks associated with operating in a regulated industry:
NBPL's operations are highly influenced by government policies and schemes, including interest subvention, ethanol pricing and offtake, and the availability and pricing of raw materials. Any discontinuation of these schemes or a significant reduction in ethanol pricing could negatively impact the company's financial health. However, the Central Government's decision to advance the ethanol blending target to 2025 has significantly boosted demand for ethanol, thereby supporting the financial performance of distillery units involved in ethanol production. Government has been fixing remunerative ex-mill price of ethanol derived from C-heavy & B-heavy molasses, and sugarcane juice/ sugar/ sugar syrup. While the prices of ethanol produced from food grains such as Damaged Food Grains (DFG), maize & FCI rice are decided by Oil Marketing Companies (OMCs).

Key strengths

Positive Industry prospects: The Indian government 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 ethanol from feed stocks such as cereals (rice, wheat, barley, corn & sorghum), sugarcane, sugar beet etc." The said scheme is for providing financial assistance, in the form of interest subvention & various other subsidies.

Locational Advantage: The project location is Karnal (Haryana), offers significant locational advantages for ethanol manufacturing. The region's abundant agricultural activity ensures easy access to raw material in form of various grains, reducing transportation costs and ensuring a steady supply of feedstock. Additionally, well-developed infrastructure, including roads and railways, facilitating efficient distribution and logistics. The presence of a skilled workforce experienced in agricultural and industrial operations further supports the ethanol manufacturing process. With the government's push towards higher ethanol blending targets, there is a strong and growing demand for ethanol, creating a favourable market environment for manufacturers in Karnal.

Liquidity: Adequate
The company's liquidity is expected to remain adequate in near future as financial closure has been achieved and disbursement of Rs.87.15 crore with infusion of promoters' contribution of Rs.54.79 crore as on July 24, 2024. The company has also been sanctioned working capital limits from its existing banker to the tune of Rs.77.00 crore, which will be disbursed upon COD.
Going forward, the company's liquidity is expected to remain adequate on the back of projected healthy gross cash accruals (GCA) and timely infusion of promoters' contribution as against cost to be incurred and scheduled debt repayment obligations.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria
[Definition of Default](#)
[Project stage companies](#)
[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Diversified	Diversified	Diversified	Diversified

Nakshtra Biofuels Private Limited (NBPL) Limited was incorporated on August 10, 2021, by Mr. Kaushal Kumar Aggarwal and his son Mr. Saral Aggarwal. The company is setting up a greenfield project for manufacturing of bioethanol alongside it's by-products, Distillery Dried Grain Soluble (DDGS) & CO2 with a 3MW captive power generation plant at Karnal, Haryana.

Brief Financials: Not available as project stage entity

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	70.00	CARE BB; Stable / CARE A4
Term Loan-Long Term	-	-	-	31-07-2030	110.00	CARE BB; Stable

Annexure-2: Rating history for last three years

S. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		TYPE	Amount Out-standing (₹ 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/ ST-Working Capital Limits	LT/ ST	70.00	CARE BB; Stable / CARE A4	-	-	-	-
2	Term Loan-Long Term	LT	110.00	CARE BB; Stable	-	-	-	-

LT/ST: Long term/Short term; 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/ ST-Working Capital Limits	Simple
2	Term Loan-Long Term	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	Puneet Kansal Director **CARE Ratings Limited** Phone: 120-4452000 E-mail: puneet.kansal@careedge.in
Relationship Contact Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Rajan Sukhija Assistant Director **CARE Ratings Limited** Phone: 91-120-4452000 E-mail: Rajan.Sukhija@careedge.in Neeraj Goyal Assistant Director **CARE Ratings Limited** E-mail: Neeraj.Goyal@careedge.in

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