

Dalvkot Biofuels Private Limited

March 17, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	61.00	CARE BB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Dalvkot Biofuels Private Limited (DBPL) factors in lower than envisaged profitability margin due to volatility of raw material prices. It continues to factor in its short track record of operations and risks associated with operating in a regulated environment. These weaknesses are partially offset by its ramping up of scale of operations leading to increase in income levels backed by strong demand of ethanol from Oil Manufacturing Companies (OMCs) and liquor manufacturers. CARE Ratings Limited (CARE Ratings) also positively takes note of additional fund infusion by promoters which resulted in lower reliance on debt to complete the project as well as nil working capital utilization. Nevertheless, company's ability to operate the plant at a high-capacity utilization level on sustained basis and improving profitability margin remains to be seen. The rating continues to factor in experience of the promoters and locational advantages in terms of proximity to raw material availability.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained high level of capacity utilisation such that the company achieves Rs. 250 crores of TOI at 8% or above PBIDT margin.

Negative factors

- Sales lower than Rs. 150 crore or decline in PBILD margin below 5%.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that DBPL will continue to improve its performance aided by healthy demand of ethanol from OMCs and will continue to benefit from long-standing experience of its promoters.

Detailed description of key rating drivers:

Key weaknesses

Short track record of operations

With plant starting its operations from February 2023, company's ability to operate the plant at high-capacity utilization levels on sustained basis remains to be seen. CARE Ratings takes note of ramp up in scale of operations in FY24 and 9MFY25.

Thin profitability margin 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 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. As such, company achieved lower than anticipated PBIDT margin at 5.34% in FY24, owing to high raw material cost.

Risk associated with operating in a regulated environment

Profitability margins of the company is exposed to regulatory risks associated with the ethanol business as the price of ethanol is fixed annually by Oil marketing companies (OMCs). Further distillery operations are vulnerable to government norms and policies. However, government's preponement of ethanol blending target to 2025 has created strong ethanol demand in the market which will improve performance of the distilleries.

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

Key strengths

Comfortable capital structure and debt coverage indicators

Company has resourceful promoters who have funded ~75% of the project cost thereby significantly reduced company's external debt repayment obligations. TOL/TNW stood at 0.47x as on March 31, 2024 (PYE: 0.55x), backed by consistent fund infusion. CARE Ratings expects the funds brought in by the promoters as unsecured loans will remain in the company till the tenor of rated debt as the same are subordinated. Withdrawal of funds from the company impacting its liquidity may weigh on company's credit profile. DBPL's interest coverage ratio is adequate which stood at 1.63x in FY24(A) and 3.99x in 9MFY25(UA).

Location advantage

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 raw material required for grain-based ethanol product is various types of damaged cereal grains which will be available from the area in which it operates through farmers / traders. Hence, DBPL is unlikely to face any difficulty as company can make firm tie ups with the farmers / traders for supply of damaged cereal grains. With high end technology installed in the plant which helps in changing it from molasses based to grain based in short period of time however with availability of raw material storage the company can produce entire ethanol from the grain based or molasses based. But for near term company is planning to use grain for ethanol production instead of molasses, reason being high cost of production associated with molasses-based ethanol production.

Established and resourceful promoters

DBFL 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. Vydehi group Operates into colleges and hospitals in the fields of Medical, dental, nursing biotechnology and many more. The company is 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

Liquidity profile of company is adequate. Debt repayment obligation of Rs. 6.38 Cr against expected gross cash accrual of Rs. 12.54 Cr in FY25. Company is also not utilizing its CC limit and is fulfilling its day to day working capital demand through unsecured loan from promoters. These loans are interest free and have no fixed repayments schedule. Company had cash and cash equivalent of Rs. 26.18 Cr as on December 31, 2024. Given company's growing operations, it is expected to generate cash accruals sufficient to cover its debt repayment obligation.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Sugar](#)

[Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Beverages	Breweries & Distilleries

DBPL has set 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 90KLPD grain and molasses for production of ethanol along with 40MT Co2 Bottling plant. DBPL is promoted by Dr. Mahesh Babu Kottapalli, Kalpaja Dalavai Audikesavulu and Indrapraksh DJ and is managed by Indraprakash DJ.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	8.09	194.22	185.88
PBILDT	0.14	10.36	14.56
PAT	-2.03	-5.37	2.91
Overall gearing (times)	0.44	0.37	NA
Interest coverage (times)	0.15	1.63	3.99

A: Audited UA: Unaudited NA: Not available; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	13.28	CARE BB+; Stable
Fund-based - LT-Term Loan	-	-	-	08/02/2032	47.72	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 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	47.72	CARE BB+; Stable	-	1)CARE BB+; Stable (26-Dec-23)	1)CARE BB-; Stable (14-Oct-22)	-
2	Fund-based - LT-Cash Credit	LT	13.28	CARE BB+; Stable	-	1)CARE BB+; Stable (26-Dec-23)	1)CARE BB-; Stable (14-Oct-22)	-

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-Cash Credit	Simple
2	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

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About us:

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