KBK Biotech Private Limited

April 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term Bank Facilities	138.22	CARE BB; Stable	Assigned
Long-term / Short-term Bank Facilities	77.78	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 KBK Biotech Private Limited (KBK) is constrained on account of its moderate scale of operations and profitability, which remains vulnerable to fluctuations in raw material prices, its leveraged capital structure and modest debt coverage indicators and stretched liquidity.

The ratings, however, derives strength from experience of its promoters in ethanol/ extra neutral alcohol (ENA) business, long term offtake agreement with Oil Marketing Companies (OMCs), rising demand for ethanol augmented by Government initiatives and favourable plant location.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in Total Operating Income (TOI) above Rs.400 crore along with improvement in Profit before interest, lease rental, depreciation and taxes (PBILDT) margin above 9% on a sustained basis.
- Improvement in Total Outside Liabilities/Tangible Net Worth (TOL/TNW) below 3.5x

Negative factors

- Any further debt funded capital expenditure leading to deterioration in capital structure from current levels.
- Dip in scale of operations below Rs. 250 crore and/or dip in PBILDT margins below existing level.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that the firm shall continue to benefit from its experienced promoters and assured offtake agreements with OMCs.

Detailed description of key rating drivers:

Key weaknesses

Moderate scale of operations and profitability

KBK's TOI grew at CAGR (Compounded annual growth rate) of 23.37% in last five years and stood at Rs.220.3 crore in FY24 (FY refers to the period April 01 to March 31) on the back of growth in volume with increased capacity. However, KBK's PBILDT margin has remained in declining trend in past five years and stood at 8.08% in FY24 (FY23:9.06%) due to increased raw material prices.

In 9MFY25 (provisional), KBK reported TOI of Rs.226.20 crore and PBILDT margins of 6.96%. Scaling up of expanded capacity and improvement in profitability will remain key rating monitorable.

KBK has recently expanded its installed capacity to 485.5 KLPD and the facility become operational from October 2024. With scaling up of the facility, KBK is expected to achieve TOI of Rs. 500 crore. Hence, scaling up of the operations from new facility with improvement in profitability will remain monitorable for credit rating perspective.

Leveraged capital structure

KBK's capital structure stood leveraged, as marked by overall gearing of 3.33x as on March 31, 2024 (PY end: 4.81x) with high reliance on external term debt to fund project cost. TOL/TNW also stood high at 4.15x for FY24 (PY: 5.64x).

Debt coverage indicators stood modest, marked by PBILDT interest coverage of 3.08x in FY24 (PY: 4.12x) and total debt to GCA (TD/GCA) of 17.31x in FY24 (PY: 13.12x).

Susceptibility of margins to raw material availability, its prices and regulatory changes

Prices of key raw materials, rice and maize, are subject to seasonal fluctuations and weather conditions, production levels, and supply-demand dynamics. Shortages in raw materials can drive up prices and may impact KBK's profitability.

In India, ethanol producers face regulatory risks such as shifting government policies, changes in pricing and subsidies, evolving environmental standards, transport and distribution challenges (including inter-state transportation), trade policy effects, taxation changes, and land and water use regulations that influence production feasibility.

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

Key strengths

Experienced promoter with a track record of operations in distillery business

KBK was incorporated in the year 2015 by Mr. K. Balarama Krishna along with his two sons and brings over two decades of experience in business management. His sons Mr. K Murali Krishna, looks after finance and day to day operations and Mr. K. Suresh Kumar, looks after overall marketing and management of the company. The company is supported by qualified promoters along with other well-educated management personnel. KBK has started operations in July 2019 with 59 KLPD of installed capacity and has been expanded to 485.5 KLPD in December 2024.

Reputed Client base with offtake agreement

KBK has entered into off take agreements with IOCL, HPCL and BPCL for 3.30 crore litre (~23% of installed capacity) of Ethanol every year for 10 years. Further, KBK has developed strong relationships with other private OMCs and pharma companies such as Nayara Energy Limited, Vasudha Pharma Chem Ltd, Rampex Labs Pvt. Ltd etc for supply of remaining ethanol. In FY24, the top 5 customers contribute around 58% of the TOI with OMCs (PSU and Private) contributing around 52.94% of TOI of FY24.

Rising demand for ethanol augmented by Government initiatives and favourable plant location

KBK benefits from the government's 20% ethanol blending target by 2026. Located near Kakinada, Andhra Pradesh, KBK has easy access to rice and maize suppliers within 100 km, as east Godavari, Kakinada is one of the major producers of rice. Further, KBK will receive benefit of interest subvention scheme of Department of food and public distribution. Further, there are depots of IOCL and HPCL within 60 km from plant location.

Liquidity: Stretched

Liquidity is stretched, marked by weak current ratio, high utilisation of its working capital limits and moderate cash accruals against high debt repayments resulting in reliance on promoters' funds for debt repayment.
KBK's has generated cash accruals of Rs. 10.81 crore during FY24 and expected to generate around Rs. 19 crore of cash accruals in FY25 against schedule debt repayment of around Rs. 19 crores. Further, DSCR for FY25 is expected to remain below unity and increase in schedule debt repayment in FY26 onwards will result in modest DSCR levels and expected to remain in range of 1.02-1.40x. KBK's current ratio was low at 0.78x as on March 31, 2024.
Its bank limits of Rs. 40 crores were utilised at around 86% during last 12 months ended December 2024. KBK's Gross Current Asset days remained high at 114 days for FY24 (FY23: 101 days) and operating cycle remained at 11 days (FY23: 23 days) driven by 48 days of inventory period and 18 days of collection period which is largely funded through 55 days of creditors period.

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
Short Term Instruments

About the company and industry

Industry classification

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

Kakinada (Andhra Pradesh) based KBK Biotech Private Limited (KBPL) was incorporated in November 2021 and it is engaged in manufacturing and sales of spirits, potable alcohol ENA, Fuel Ethanol and its by-products and has its own power generation capacity. KBPL has an installed capacity of 485.5 KLPD Ethanol as on December 31,2024 located at Chinabrahmadevam Village, Kakinada, Andhra Pradesh.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25(Prov.)
Total operating income	171.57	220.30	226.20
PBILDT	15.56	17.81	15.74
PAT	6.57	6.87	7.25
Overall gearing (times)	4.81	3.33	2.97
Interest coverage (times)	4.12	3.08	1.36

A: Audited, Prov.: Provisional; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

- Acuity migrated the ratings of KBK under 'Issuer not cooperating' category vide press release dated January 24, 2024, considering its inability to carry out a rating exercise in the absence of the requisite information from the company.
- ICRA migrated the ratings of KBK under 'Issuer not cooperating' category vide press release dated January 05, 2025, considering its inability to carry out a rating exercise in the absence of the requisite information from the company.

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-Cash Credit		-	-	-	76.78	CARE BB; Stable / CARE A4
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	1.00	CARE BB; Stable / CARE A4
Term Loan-Long Term		-	-	30-11-2030	138.22	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-Cash Credit	LT	-	-	-	-	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (22-Nov-21) 2)Withdrawn (22-Nov-21) 3)CARE B-; Stable; ISSUER NOT COOPERATING* (14-Apr-21)
2	Fund-based - LT/ ST-Cash Credit	LT/ST	76.78	CARE BB; Stable / CARE A4				
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	1.00	CARE BB; Stable / CARE A4				
4	Term Loan-Long Term	LT	138.22	CARE BB; Stable				

LT: Long term; LT/ST: Long term/Short 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-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	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

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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.

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