

## K P Biofuels Private Limited

April 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	64.00	CARE B+; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Rating Limited (CARE Ratings) has been seeking information from K P Biofuels Private Limited (KPBPL) to monitor the ratings vide e-mail communications dated January 08, 2025, January 15, 2025, and February 06, 2025, among others and multiple phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings has reviewed the ratings based on best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on KPBPL's facilities will now be denoted as **CARE B+; ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The rating takes into account project execution and subsequent stabilization risk as commencement of operation has been delayed by more than a year with subsequent escalation in cost of project, susceptibility of profitability due to volatility in raw material prices, presence in highly competitive and fragmented industry and stretched liquidity position, reasonable experience of promoters and qualified and experienced management team, long-term revenue visibility due to presence of offtake agreement with Indian Oil Company Limited, Bharat Petroleum Company Limited and Hindustan Petroleum Company Limited for the period of 10 years, and favourable prospects for ethanol market in India.

### Detailed description of key rating drivers:

At the time of last rating on May 31, 2024, the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):

#### Key weaknesses

##### Project execution and stabilization risk with delay in the project completion:

The company is setting up a manufacturing plant of fuel ethanol/Extra Neutral Alcohol (ENA)/pharma grade ethanol and its by-products like CO<sub>2</sub>, DDGS at Bareilly, Madhya Pradesh with installed capacity of 60 Kilo litter per day (KLPD). Project was initially started in October 2022 and was expected to commence its operation by May 2023 however it got delayed and is now expected to be operational by end of June 2024. The delay in commencement of operation is mainly due to delays in the supply of material, shortage of labour led by cascading effect post Covid disruption. Also, the heavy rainfall in the project vicinity led to delay in the completion of the project.

The initial cost of the project was estimated at Rs.75.05 crore which got escalated to Rs. 97.48 crore as on May 15, 2024, on account of price escalation in civil work and pre-operative expenses (including interest payments). Revised cost is proposed to be funded through term loan from bank of Rs.64 crore, equity of Rs.4 crore and rest through unsecured loan from promoters and related parties of Rs. 29.48 crore (increased from Rs. 7.05 crore).

Till May 15, 2024, the company has already incurred Rs. 96.02 crore (98.50%) of the total cost wherein the term loan availed from bank worth Rs.64 crore, equity of Rs. 4 crore and unsecured loan from promoters of Rs. 28.02 crore. Hence, timely completion and subsequent stabilization of the project with optimum capacity utilization thereby achieve the envisaged revenue and accruals remains critical from the credit prospects of the company. Further, as informed by management, all the required approval to set up ethanol plant are in place.

##### Susceptibility of profitability due to volatility in raw material prices:

KPBPL is proposed to use raw material as maize and broken rice, which form the major component of total raw materials. Also, it is notable that grains are seasonal products, and its production also depends on vagaries of nature. On the other side, Government tries to support price of broken rice and grains by setting minimum selling price (MSP) which may affect input price. In order to mitigate the fluctuation in price, KPBPL will procure grains during harvest season. Moreover, the company does not employ any long-term contracts with raw material suppliers and is susceptible to fluctuations in raw material prices. However, plant is set up near rice producing area, raw material will be procured from local farmers which could provide some cushion in terms of the procurement prices.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

**Presence in highly competitive and fragmented industry:**

The company operates in a highly competitive and fragmented market which consists of large and small and large sized players. Moreover, low entry barriers in the industry further intensifies the already prevailing competition in the market. This competitive and fragmented nature of the industry can have an impact on the profit margin of the company and also led company to adopt liberal credit policy in the market.

**Key strengths****Reasonable experience of promoters and qualified and experienced management team**

KPBPL is promoted and managed by Mr. Vivek Sarang and Mr. Harshit Sarang, who have reasonable experience in industry. Promoters are supported by qualified management team. Company is also planning to employ suitably qualified and experienced key technical staff.

During FY24, promoters have infused equity of Rs. 0.41 crore to support the project execution and working capital requirements of the company.

**Long-term revenue visibility due to presence of offtake agreement with Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited for the period of 10 years:**

KPBPL has signed an offtake agreement signed on January 15, 2021 with oil manufacturing companies (OMCs) namely Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited for the period of 10 years for minimum purchase of 1.32 crore litter of ethanol yearly. Owing to delay in commencement of operation, KPBPL has already applied for extension for postponement of supply and expects these contracts to continue due to overall deficit in ethanol supply to OMCs. Further, as informed by management, no penalty has been charged to the company due to delays in the ethanol supply. The continuation of the said contracts likely to support the cash flows and liquidity of the company. Thus, the company will benefit due to an assured revenue stream on account of the offtake agreement signed with a reputed customer having a strong credit profile leading to minimal counter-party risk as well. Nevertheless, the approval for supply of ethanol from OMCs as per the revised terms remains key monitorable.

**Favourable prospects for Ethanol market in India:**

The Indian Ethanol market has seen significant growth. In FY2023, it reached around 3200 million litters and is projected to expand at a CAGR of 5.67% until FY2035. The ethanol production capacity in the country is about 1380 crore litres out of which about 875 crore litres is molasses based and about 505 crore litres is grain based as on November 30, 2023. The Government of India has been implementing Ethanol Blended with Petrol (EBP) Programme throughout the country wherein Oil Marketing Companies (OMCs) sell petrol blended with ethanol. Under EBP Programme, Government has fixed the target of 20% blending of ethanol with petrol by 2025. In its endeavour to achieve 20% blending by 2025, India attained a blending record of 11.6% in Q1 of ESY 2023 – a 13% increase compared to 2022. Also, government has provided interest subvention @ 6% per annum or 50% of rate of interest charged by banks/financial institutions, whichever is lower, on the loans to be extended by banks/financial institutions is being borne by the Central Government for five years including one-year moratorium along with PLI scheme

**Liquidity:** Stretched

The liquidity position of the company remained stretched due to delay in commencement of operation. Therefore, generation of sufficient cash accruals to repay principal debt obligation starting from December 2024 needs to be seen. Further company also has to pay interest cost during construction and stabilization phase hence timely receipt of promoter's contribution is key monitorable going forward. However, company has maintained funds in Debt Service Reserve Account (DSRA) of Rs. 3.60 crore with the lender which likely mitigate the repayment risk to an extent.

**Analytical approach:** Standalone

**Outlook:** Stable

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

**Applicable criteria**

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Project stage companies](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals & Petrochemicals	Commodity Chemicals

K P Biofuels Private Limited (KPBPL) was incorporated in June 2021 by Mr. Vivek Sarang and Mr. Harshit Sarang to setup manufacturing plant of fuel ethanol/Extra Neutral Alcohol (ENA)/pharma grade ethanol and its by-products like CO<sub>2</sub>, Dried distillers' grains with soluble (DDGS) at Bareilly, Madhya Pradesh with installed capacity of 60 Kilo litter per day (KLPD). The said plant is expected to be operational by end of June 2024. The raw material required viz. broken rice, maize, sorghum, millets will be procured domestically.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	0.00	0.00
PBILDT	0.03	-0.16
PAT	0.00	-0.13
Overall gearing (times)	8.66	9.81
Interest coverage (times)	0.00	0.00

A: Audited; 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2031	64.00	CARE B+; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

## 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	64.00	CARE B+; Stable; ISSUER NOT COOPERATING *	1)CARE B+; Stable (31-May-24)	1)CARE B+; Stable; ISSUER NOT COOPERATING * (26-Feb-24)	1)CARE BB-; Stable (05-Dec-22)	-

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short 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-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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### Disclaimer:

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