K G Spirits LLP
July 14, 2025

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-term Bank Facilities	243.80 (including proposed limit of 19.80)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	-	Rating assigned	Simple
Short-term Bank Facilities	10.20	IVR A3 (IVR A Three)	-	Rating assigned	Simple
	254.00 (Rs. Two hundred Fifty-four crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of K G Spirits LLP (KGS) derives comfort from its experienced promoters, locational advantage, availability of long-term purchase agreement with a Government body ensures revenue visibility and relatively lower counterparty credit risks, policy initiatives by the Government, initiation of production and satisfactory regular offtake by OMCs and infusion of capital by promoters. These rating strengths are partially offset by partnership nature of constitution, susceptibility of operating margin to volatile raw material prices, exposure to government regulations and termination of offtake agreement and working capital intensive nature of operation.

The outlook assigned on the long-term rating is Stable on the back of satisfactory demand outlook of the respective industry coupled with increase in scale of operation and improvement in financial risk profile of the company.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in scale of operations along with improvement in profitability.
- Sustained improvement in the capital structure with improvement in debt coverage indicators

Downward Factors

- Moderation in scale of operation and/or profitability.
- Deterioration of capital structure and debt coverage indicators.
- Deterioration in working capital management.
- Withdrawal or erosion of subordinated unsecured loan treated as quasi equity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoter**

The designated partners are widely experienced in the respective industries. Mr. Rakesh Kumar (designated partners) is at the helm of affairs of the firm with support from other designated partners and a team of experienced professionals. The promoters of KGS have extensive entrepreneurial and technical experience. The promoters have diversified businesses which includes polymer, real estate, distilleries and breweries, automobile dealership etc. They have been engaged with this activity for more than two decades.

- **Locational advantage**

The manufacturing facilities of KGS is at Govindpur in Dhanbad district of Jharkhand. The unit is surrounded by number of rice mills, FCI godowns and other foods grains growing areas which provides easy availability of raw materials to run a grain-based distillery. Accordingly, proximity to the source of raw materials & end user market provides a competitive edge. This apart, the area is well connected by road and rail.

- **Availability of long-term purchase agreement with a Government body ensures revenue visibility and relatively lower counterparty credit risks**

The proposed installed capacity of the project has been tied up with OMCs (IOCL, BPCL & HPCL together) by an Offtake agreement, The OMCs will offtake 5.28 crore Litre of ethanol per annum for 10 years after commencement of operation. The payment is routed through an escrow account and the payment generally made within 21days from supply of ethanol. This apart, the firm is entitled to avail various incentive from State and Central Government for implementing Ethanol distilleries project.

- **Policy initiatives by the Government**

In January 2013, the Union government launched the Ethanol Blended Petrol (EBP) programme, which made it mandatory for oil companies to raise ethanol blending in petrol to

25% by 2025 from the current ~5%. However, the actual achievement is much lower up till now in 2025. In lieu of the above developments and also given that the government currently does not allow import of ethanol for fuel blending, the outlook appears bright for this industry.

- **Initiation of production and satisfactory regular offtake by OMCs**

The commercial operation of the ethanol production has been started from September 2024 and regular offtake by OMCs has been started since then. Thus, during FY25 (refers to period April 1st, 2024, to March 31st, 2025) the firm had around seven months of operational track record which ensures stability of the newly installed green filed project. The OMCs are regularly off taking Ethanol as per quarterly requisition plan which is around 100% of the production. This is to mention, during first year of operation, the firm has earned a TOI of ~Rs.139 crore with a cash profit over Rs.7 crore in FY25.

- **Infusion of capital by promoters**

The promoters have infused further capital of around ~Rs.23 crore in the form of equity and subordinated unsecured loan during FY25, which further helps to improved capital structure as on March 31, 2025.

Key Rating Weaknesses

- **Partnership nature of constitution**

Given KGS's constitution as a partnership firm, it is exposed to the discrete risks including the possibility of withdrawal of capital by the partners and the risk of dissolution of the firm upon death, retirement or insolvency of the partners. Moreover, the partnership nature limits firm's flexibility to tap external financing

- **Susceptibility of operating margin to volatile raw material prices**

The key raw material for ethanol manufacturing is rice grain, maize, sugarcane, corn etc. Availability and prices both are volatile in nature due to presence of agro-climatic risk and cyclicality in the industry.

- **Exposure to government regulations and termination of offtake agreement**

Ethanol production and demand from OMC's are highly dependent on government regulations. This apart, as per the offtake agreement woth OMCs, the principle can terminate its agreement by 30 days' notice if the supplier (KGS) fails to supply in time or operate the business and any adverse changes in current law/directives comes from Government.

- **Working capital intensive nature of operation**

The operation of the firm is working capital intensive. As the raw material used is agro based commodities, stocking of the same is on priority for the firm to avoid seasonality risk and to continue regular production. Further, the firm has to allow around 30 days of credit period due to payment framework. For the first year of operation, collection period is around 27 days and inventory period is around 67 days. This apart, average utilisation of bank borrowing was high at around 90% over last 10 months ending in June 2025. Infomerics expects working capital cycle is to remain efficient through projected period.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

KGS has earned gross cash accrual of Rs. 7.24 crore in FY25 (Prov.). Further, the firm is expected to earn gross cash accruals in the range of ~ Rs. 34 - 49 crore as against its debt repayment obligation around ~ Rs. 21 crore during FY26-28. Accordingly, the liquidity position of the firm is expected to remain adequate in the near to medium term. Moreover, the current ratio was adequate at 1.38x as on March 31, 2025. Additionally, as on March 31, 2025, the firm have Rs. 21.28 crore of cash and cash equivalents which provides additional liquidity comfort to the business. However, average fund-based working capital utilisation was high at ~89% for 12 months ending June 2025 indicates low liquidity cushion.

About the Firm

K G Spirits LLP (KGS), a Jharkhand based company, established as Limited Liability Partnership (LLP) in June 2021 and is engaged in manufacturing of Bio-Ethanol (Fuel) and Technical Alcohol. The firm has set up 200 kilo litre per day (KLPD) grain-based bio-ethanol manufacturing facility along with 5MW captive power co-generation plant in Dhanbad district of Jharkhand under Ethanol Blended Petrol (EBP) programme launched by Govt. of India under National Biofuels Policy 2018. Total cost of the project was Rs. 221.14 Cr., funded through Rs.164.38 crore of term loan, Rs.43.89 crore from partners' capital and balance from subordinated unsecured loan. The project was completed in March, 2024, and after a trial run and some alteration, commercial production had started from September 2025 and the OMCs started offtake since then. Mr. Rakesh Kumar, designated partner, looks after the day-to-day affairs of the firm along with other four designated partners and a team of experienced personnel.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2024	31-03-2025
	Audited	Provisional
Total Operating Income	0.00	139.24
EBITDA	-0.08	13.86
PAT	-0.07	-5.19
Total Debt	156.79	205.31
Adjusted Tangible Net Worth	44.97	62.76
EBITDA Margin (%)	-	9.95
PAT Margin (%)	-347.27	-3.70
Overall Gearing Ratio (x)	3.49	3.27
Interest Coverage (x)	-20.70	1.85

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
1.	Term Loans	Long Term	164.00	IVR BBB-/ Stable	-	-	-
2.	Cash Credit (including proposed facility)	Long Term	79.80	IVR BBB-/ Stable	-	-	-
3.	Bank Guarantee	Short Term	10.20	IVR A3	-	-	-

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 1	-	-	-	June 2032	100.00	IVR BBB-/ Stable
Term Loan 2	-	-	-	June 2032	64.00	IVR BBB-/ Stable
Cash Credit 1	-	-	-	-	25.00	IVR BBB-/ Stable
Cash Credit 2	-	-	-	-	25.00	IVR BBB-/ Stable
Cash Credit 3	-	-	-	-	10.00	IVR BBB-/ Stable
Proposed Cash Credit	-	-	-	-	19.80	IVR BBB-/ Stable
Bank Guarantee	-	-	-	-	10.20	IVR A3

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-KG-Spirits-14july25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.