



Press Release

Kamakhya Biofuels Private Limited

January 02, 2024

Ratings

Instrument/ Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	280.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Total	280.00 (Rs. Two-Hundred-Eighty crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Kamakhya Biofuels Private Limited (KBPL) derives comfort from its experienced promoter, synergy benefits from group companies, locational advantage, availability of long-term offtake agreement with Government body ensures revenue visibility and relatively lower counterparty credit risks and policy initiatives by the Government. These rating strengths are partially offset by susceptibility of operating margin to volatile raw material prices, exposure to government regulations and termination of offtake agreement and project Risk.

Rating Sensitivities

Upward factors

- Project to be completed without cost and time overrun.

Downward Factors

- Project gets delayed with cost and time overrun.

Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Experienced promoter**

The directors' family is widely experienced in the respective industries. Mr. Prashant Jaiswal is at the helm of affairs of the company with support from other directors and a team of experienced professionals. The promoters of KBPL have extensive entrepreneurial and technical experience. The promoters have diversified businesses which includes Ethanol



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distilleries, manufacturing of country liquor and foreign liquor, bottling of liquor etc. They have been engaged with this activity for more than three decades.

- **Synergy benefits from group companies**

The company is a part of Westwell Group of West Bengal, where the group companies are also into similar line of business. Presence of other group companies in the same line of business provides synergy benefits to the company to an extent. Furthermore, two of its group companies, have jointly extended corporate guarantee for the consortium of banking arrangement availed by KBPL which provides additional comfort.

- **Locational advantage**

The manufacturing facilities of KBPL will be in Darrang District of Assam. The unit is surrounded by number of rice mills, FCI godowns, sugarcane and other foods grains growing areas which provides easy availability of Grains 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 offtake agreement with Government body ensures revenue visibility and relatively lower counterparty credit risks**

About 68% of the proposed installed capacity of the project has been tied up with OMCs (IOCL, BPCL & HPCL together) by an Offtake agreement signed on January 12, 2022, The OMCs will offtake 5.61 crore Litre of ethanol per annum after commencement of operation. This apart, the company is entitled to avail various incentive from State and Central Government to implement 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%. 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.

Key Rating Weaknesses

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



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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 cyclicity 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 with OMCs, the principle can terminate its agreement by 30 days' notice if the supplier (KBPL) fails to supply in time or operate the business and any adverse changes in current law/directives comes from Government.

- **Project Risk**

KBPL is going to initiate a manufacturing facility of grain-based distillery of 250 KLPD capacity to produce Bioethanol under the Ethanol Blending Program scheme launched by GOI and 6.0 MW power plant for captive use. Currently, the company has floated a greenfield project to setup the manufacturing unit at Badiasisha in Darrang district of Assam. The company has acquired a piece of ~180 bigha land and diverting the same for industrial use. Total project cost is to be Rs. 346.92 crore which will be financed by equity of Rs.42.65 crore, unsecured loan Rs.24.27 crore, term loan of Rs.280.00 crore. Financial closure has already been achieved with the sanction of bank term loan from State Bank of India and Punjab National Bank consortium with equal proportion. The company has incurred ~Rs.190 crore till December 20, 2023, including open LC. The production is expected to commence from July 2024.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

Liquidity: Adequate



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The company is expected to earn a gross cash accrual in the range of ~Rs.21-51crore as against its debt repayment obligations in the range of ~Rs.22.99 to 32.35 crore per year during FY24-26. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term.

About the Company

Kamakhya Biofuels Private Limited (KBPL) was incorporated in September 2021 in Assam by a group of promoters. Since inception, the company has planned to install a grain-based distillery to produce Bioethanol under the Ethanol Blending Program scheme launched by GOI and a 6.0 MW captive power plant. Currently, KBPL is elected by GOI for Ethanol Blending Program scheme and the company has entered into a Long-Term Offtake Agreement with OMCs. In this regard, the company has floated a greenfield project to setup a manufacturing unit at Darrang district in Assam with an installed capacity of 250KLPD and total project cost is of ~Rs.347 crore. The commercial operation is expected to start from July 2024.

Financials (Standalone): Not applicable as KBPL is in project stage.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Term loans	Long Term	280.00	IVR BBB-/ Stable	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Sanmoy Lahiri Tel: (033)- 46022266 Email: slahiri@infomerics.com	Name: Sandeep Khaitan Tel: (033)- 46022266 Email: sandeep.khaitan@infomerics.com
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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) 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.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term loan I	-	-	March 2032	140.00	IVR BBB-/ Stable
Term loan II	-	-	March 2032	140.00	IVR BBB-/ Stable



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Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Kamakhya-jan24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.

