

May 13, 2025

Kribhco Green Energy Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term fund-based – Term loan	911.50	911.50	[ICRA]A (Stable); reaffirmed
Long term – Unallocated limits	88.50	88.50	[ICRA]A (Stable); reaffirmed
Total	1000.00	1000.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation factors in the strong parentage of KRIBHCO Green Energy Private Limited (KGEPL) with 100% ownership of Krishak Bharati Cooperative Limited (KRIBHCO) and expectations of financial and operational support from the parent. ICRA notes that KRIBHCO has extended corporate guarantees towards the term loans availed by KGEPL.

KGEPL is in the process of setting up two grain-based ethanol plants of 270-klpd capacity each at Hazira (Gujarat) and Nellore (Andhra Pradesh) with a total capex of around Rs. 712 crore, which is to be funded by a debt of around Rs. 610 crore and the balance with equity from KRIBHCO. ICRA notes that KGEPL had plans to set up another plant at Jagtial as well, but the proposal has been kept on hold for the time being due to local resistance to the project. The rating factors in the healthy demand prospects for ethanol in the country and the presence of a 10-year offtake contract with public sector oil marketing companies (OMCs), aiding the revenue visibility for KGEPL.

The projects also enjoy locational advantages due to their proximity to ample raw material sources, along with their ability to reach out to various oil blending depots in nearby areas. ICRA also notes that KGEPL will be entitled to receive various fiscal benefits under the National Biofuel Policy 2018 with approval from the Department of Food and Public Distribution (DFPD), which are likely to support its profitability after the commencement of operations. The primary benefit will be from the interest-subsidy of around 50%.

However, the rating remains constrained by significant project-related risks, including commissioning the projects within the budgeted cost and time and achieving the desired process parameters and cost efficiencies. The projects have witnessed a delay of around 1 year from the original date of commencement of commercial operations (DCCO) and the revised date is now October 2025 against October 2024 earlier and any further delays could be a credit negative. Although there have been no major cost escalations because of the lumpsum turnkey (LSTK) nature of the project, any potential cost escalations will remain a key monitorable. Further, a sizeable portion of the total project cost is funded through debt, resulting in significant dependence on external borrowings and necessitating the generation of healthy cash accruals post commissioning of the plant for timely servicing of the debt.

KGEPL will also remain exposed to regulatory risks associated with the ethanol business, given that its price is fixed annually by OMCs even as the raw material and fuel prices change in line with the market demand and supply. The company's profitability remains exposed to the fluctuations in the price of maize which has been on an uptrend in the recent past due to non-allocation of FCI's surplus rice by the Government in the previous year. However, in the current year, the Government has again allotted a sizeable quantity of surplus rice from FCI for ethanol manufacturers, which is likely to stabilise maize prices. Nevertheless, the price movement of maize will remain a key monitorable for the healthy operations of the business. Also, KGEPL's plants have the flexibility to use both rice and maize as raw material.

The Stable outlook on the rating factors in ICRA's expectations of a comfortable credit profile once the plants become operational because of a strong demand for ethanol in the country and KGEPL's long-term contract with OMCs, along with the parentage of KRIBHCO.

Key rating drivers and their description

Credit strengths

Strong parentage of KRIBHCO – KGEPL is a 100%-owned subsidiary of KRIBHCO. KRIBHCO, the holding entity, has a very long-standing association with the farmers of the country and has been working in the field of agriculture inputs and fertilisers for the past three decades. More than 9,000 primary agricultural cooperative societies (PACS) are shareholders of KRIBHCO. Hence, KRIBHCO's position and experience provides opportunity for tie-up of raw material for KGEPL.

The board of KRIBHCO had committed an equity of around Rs. 270.5 crore in a debt-equity ratio of 70:30. However, the company availed debt in a 90:10 debt-equity mix for the projects. KRIBHCO has so far infused Rs. 147 crore in KGEPL, including long-term working capital margins. This includes Rs. 33-crore equity issued towards the Nellore land. The balance commitment will provide sufficient cushion for any financial support to KGEPL. The long-term debt from the term lenders will be to the tune of Rs. 610 crore.

KRIBHCO has also provided corporate guarantee for the debt availed by KRIBHCO Green Energy Private Limited. There will be adequate support from KRIBHCO if KGEPL faces any challenges in debt repayment.

Offtake agreements with oil marketing companies provide revenue visibility - The company has entered into long-term offtake agreements with OMCs for a period of 10 years for the supply of the entire quantity of ethanol annually produced by it, thus ensuring offtake of the entire production and providing revenue visibility after the commencement of operations.

Achievement of complete financial closure and infusion of large amount of equity mitigates funding risk - KGEPL is now setting up two ethanol plants of 270-klpd capacity each at Hazira and Nellore with a total capex of around Rs. 712 crore. The company has already achieved financial closure for the complete debt amount availed for a revised door-to-door tenor of nine years and 7 months, which includes an implementation period of 31 months and repayment in 28 quarterly instalments. Further, the company has received majority of the requisite statutory approvals for commissioning the plants. The achievement of complete financial closure is likely to support a timely commencement of operations.

Healthy demand potential for ethanol; Government incentives in the form of interest subvention - The long-term demand outlook for ethanol and biofuel remains favourable on the back of a significant demand-supply gap and the 20% ethanol blending target set to be achieved by 2025. Further, the Government is taking multiple initiatives to increase the indigenous production of ethanol, including the interest subvention scheme under which the company shall be eligible for 50% interest subsidy (up to 6% p.a.) of the actual interest paid on the term loan availed for setting up an ethanol plant. These incentives are likely to support the viability of the projects.

Credit challenges

Execution risks leading to significant delays – The revised total capital outlay of the two projects is estimated at Rs. ~712 crore with approximately 65% of the capital expenditure completed. The Jagtial plant has been put on hold due to local resistance. Earlier, the date of commencement of commercial operations (DCCO) was September 30, 2024, but this has been postponed by one year to September 30, 2025. ICRA understands that the commercial contract with the LSTK contractor provided a very aggressive timeline for completing such a huge project of 270 KLPD. Further, in view of the huge capacities of grain-based ethanol being built across the country, there have been capacity-related issues with the sub-vendors of the LSTK contractor, resulting in temporary delays in the projects. ICRA notes there has been no cost escalation due to the LSTK nature of the contract and a successful commissioning of the two plants within the scheduled timeframe and budgeted cost would remain a key monitorable.

Significant dependence on debt, resulting in moderate financial risk profile – Of the total revised cost of the projects, Rs. 610 crore will be funded through debt, keeping the dependence on borrowings very high. The company's ability to achieve a healthy capacity utilisation and generate steady cash accruals will be important for a timely debt servicing. The interest subvention scheme, a 10-year offtake agreement with the OMCs as well as a healthy demand-supply outlook for ethanol are expected to support the debt servicing ability.

Susceptibility of profitability to volatility in raw material costs – The primary raw materials used by KGEPL are maize and broken rice, which are agro-commodities. The prices of raw materials are prone to significant fluctuations as their availability depends on supply-demand dynamics and weather conditions. Further, power and fuel costs constitute a sizeable portion of the company's cost structure, making the profitability susceptible to any increase in the cost of fuels used for power generation. ICRA also notes that the profitability could be adversely affected if the realisations of by-products such as distiller's dried grains with solubles (DDGS) or CO2 witness any pressure.

Liquidity position: Adequate

KGEPL's liquidity will remain adequate to meet the funding requirements of the projects as the entire debt tie-up has been completed, while contribution from the promoter has been received upfront. ICRA expects the promoter to support the projects by infusing additional equity, as per the requirements.

Rating sensitivities

Positive factors – A timely commencement of the operations within the budgeted cost and a successful ramp-up and stabilisation of the plants could improve the rating.

Negative factors – Pressure on the rating could arise on account of further delays in starting the operations, or material cost overruns, or issues with the stabilisation of the plants, impacting the cash flow generation and debt servicing capability. Further, any material deterioration in the parent's credit profile or weakening of the linkages can lead to a rating revision.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	ICRA factors in the parentage of KRIBHCO while assigning the ratings for KGEPL. There is a track record of support from KRIBHCO in the form of corporate guarantees backing the bank lines of KGEPL. ICRA expects KRIBHCO to support KGEPL in a situation of distress
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of KGEPL

About the company

Kribhco Green Energy Private Limited was incorporated on September 30, 2021, and is a 100% subsidiary of KRIBHCO. KGEPL is setting up two grain-based ethanol plants of 270-klpd capacity each at Hazira and Nellore with a total capex of around Rs. 712 crore, which is to be funded by a debt of around Rs. 610 crore and the balance by equity from Kribhco. The construction of a third plant at Jagtial has been kept on hold due to local resistance to the project. The revised DCCO for the Hazira and Nellore sites has been set as September 30, 2025.

Key financial indicators (audited): As KGEPL is a project company which is likely to start operation from FY2026, the key financial indicators have not been included.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)				Chronology of rating history for the past 3 years					
FY2026				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	May 13, 2025	Date	Rating	Date	Rating	Date	Rating
Long term - Term loan – Fund-based	Long term	911.50	[ICRA]A (Stable)	-	-	27-MAR-2024	[ICRA]A (Stable)	-	-
Long term – Unallocated - Unallocated	Long term	88.50	[ICRA]A (Stable)	-	-	27-MAR-2024	[ICRA]A (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	Simple
Long term – Unallocated limits	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](https://www.icra.in)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loan	July 24 2023	7.35% (linked to repo rate)*	December 31 2032	911.5	[ICRA]A (Stable)
NA	Unallocated limits	NA	NA	NA	88.5	[ICRA]A (Stable)

Source: Company

* - This rate factors in the repo rate cut in Feb 2025 and is yet to factor in the 25bps rate cut which happened in April 2025

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Prashant Vasisht

+91 124 4545322

Prashant.vasisht@icraindia.com

Ankit Jain

+91 124 4545865

ankit.jain@icraindia.com

Sahaj Gugliani

+91 124 4545814

sahaj.gugliani@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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