August 03, 2026

KBK Biotech Private Limited: [ICRA]BBB- (Stable)/[ICRA]A3; assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long term – Fund based – Cash Credit	75.00	[ICRA]BBB- (Stable); assigned	RBI
Long term – Fund based – Term Loans	99.22	[ICRA]BBB- (Stable); assigned	RBI
Long term/Short term - Unallocated	0.78	[ICRA]BBB- (Stable)/ [ICRA]A3; assigned	RBI
Total	**175.00**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The ratings assigned to the bank facilities of KBK Biotech Private Limited (KBK) favourably factor in its established presence in both the extra neutral alcohol (ENA) and ethanol segments and the strategic location of its manufacturing facility, which provides access to ample raw material sources and proximity to multiple blending depots of the oil marketing companies (OMCs). The company has witnessed a sustained ramp-up in operations over the past few years that has increased the scale of operations. Increased scale along with improvement in the operating efficiencies, in turn, have supported margin expansion. Further, the ratings derive comfort from the company's healthy financial risk profile, characterised by a comfortable capital structure, adequate debt coverage indicators and a healthy liquidity position.

However, the ratings remain constrained by exposure to regulatory risks associated with the ethanol business, given that its price is fixed annually by the OMCs even as the prices of raw material and fuel change in line with the market demand and supply position. The company's profitability remains vulnerable to the fluctuations in the prices of key raw materials – broken rice and maize – which have been quite volatile in the recent past and, thus, will remain a key monitorable.

The Stable outlook on the rating reflects ICRA's expectation that KBK will be able to sustain its operating metric and earnings profile, aided by the favourable long-term demand outlook for ethanol and the assured raw material availability owing to its strategic location.

Key rating drivers and their description

Credit strengths

Established presence in both ENA and ethanol manufacturing, supported by plant's strategic location – KBK was incorporated in 2015. It started commercial operations in 2019 with an initial installed capacity of 69 kilolitres per day (KLPD), majorly catering to the ENA segment along with small proportion of impure spirit (IS). This capacity was expanded to 88.5 KLPD in FY2023. Gradually, the company added 397 KLPD of ethanol capacity, taking the total installed capacity to 485.5 KLPD at present, comprising about 397 KLPD of ethanol and 88.5 KLPD of ENA. KBK currently holds the licence to supply around 90 KPLD of ENA.

The company has entered into long-term arrangements with OMCs for the supply of 3.3 crore litres of ethanol per year. However, under the SY2026 tender process, it secured a significantly higher allocation of 12 crore litres to OMCs, in line with the demand-supply dynamics in its region of operations. This higher allocation supported volume growth in FY2026 and is expected to provide sustained offtake visibility, thereby supporting the revenues in FY2027 as well.

Further, KBK's manufacturing facility is located in the East Godavari district of Andhra Pradesh, a major rice producing belt, which ensures access to key feedstocks such as rice and damaged food grains (DFG). The proximity to raw material sources strengthens the procurement efficiency and helps contain input costs. Moreover, the presence of multiple Food Corporation of India (FCI) storage facilities within a radius of 15 km significantly reduces the logistics costs and ensures uninterrupted raw material supply. Also, this strategic location provides easy access to nearby OMC blending depots and the refineries across Andhra Pradesh, Tamil Nadu and other southern states for its ethanol supply.

Ramp-up of operations supporting increasing scale and margin expansion – The installed capacity has increased from 69 KLPD in FY2020 to 88.5 KLPD in FY2023, and further to ~222 KLPD in FY2024 and ~485.5 KLPD in FY2026. Thus, the total annual capacity, at present, is around 14.56 crore litres. The gradual ramp-up in the installed capacity helped increase the revenue to ~Rs. 880 crore in in FY2026 from ~Rs. 95 crore in FY2020. The sales volumes more than doubled in FY2026 to around ~11 crore litres annually from around ~4.7 crore litres in FY2025. Around 80-90% of these volumes are supplied to the OMCs and the balance to other private players, traders etc. The operating margins improved in FY2026 largely on the back of lower raw material prices, especially for maize as well as better realisations for ethanol and distillers dried/wet grains with soluble (DDGS).

Healthy financial risk profile – KBK's capital structure is comfortable, reflected in TD/OPBIDTA of 1.6 times in FY2026. Further, the DSCR is at 2.2 times in FY2026. The capital structure is expected to remain healthy in the near term and expected to improve over the medium term with scheduled term loan repayments, no new term debt as well as accretion of profits. As on March 31, 2026, the company's total debt stood at ~Rs.171.8 crore because of the recent capital expenditure. This debt comprises a term loan of Rs. 128.9 crore, unsecured loans of Rs. 13.2 crore from promoters and working capital borrowings of Rs.43 crore. As on March 31,2026, the company's gearing stood at 1.3x and the interest coverage was at 5.8x for FY2026.

Credit challenges

Susceptibility of profitability to volatility in raw material costs – KBK primarily uses FCI rice, DFG rice (broken rice) and maize as its raw materials. The prices of these agro commodities can fluctuate based on seasonal availability, especially during the monsoon. Nevertheless, the company's plant is in Andhra Pradesh where there is abundant availability of rice, thus mitigating the impact of price fluctuations to a considerable extent. Further, the cost of power and steam remains vulnerable to the fluctuations in key raw material prices, particularly coal, which are primary fuel sources for captive power generation.

Risks associated with operating in a regulated industry – KBK's operations are vulnerable to the Government's policies and schemes, such as ethanol pricing and offtake, raw material availability and pricing, interest subvention etc. Hence, the cessation of any scheme or any material decrease in ethanol pricing would have an adverse impact on the company's financials.

Liquidity position: Adequate

The company's liquidity profile remains adequate, supported by healthy cash flow from operations and a cushion of ~Rs. 26.70 crore (vis-à-vis the drawing power) as of June 2026. The average working capital limit utilisation (as % of drawing power) was ~52% (of Rs. 75 crore sanctioned limits) over the last 15 months ended June 2026. The repayment obligation of ~Rs. 24.72 in FY2027 is likely to be met comfortably from the cash flow from operations. As on March 31, 2026, the company had free cash and bank balance of Rs. 7.9 crore, apart from a DSRA of Rs. 3.87 crore, which provides additional cushion. Further, the entity plans to incur a capex of ~Rs. 15 crore for FY2027 which is to be funded from internal accruals.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company demonstrates a sustained improvement in its earnings while maintaining healthy credit metrics and liquidity position.

Negative factors – The ratings may witness downward pressure if there is a material decline in earnings, resulting in a deterioration of the company's credit metrics and liquidity position. A specific trigger that may lead to a rating downgrade include DSCR of less than 1.4 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

KBK Biotech Private Limited (KBK) was incorporated in 2015 and is based out of the East Godavari district in Andhra Pradesh. It is engaged in the manufacturing of ethanol, extra neutral alcohol (ENA), impure spirit (IS), distillers dried/wet grains with soluble (DDGS) and cattle feed syrup etc. At present, KBK also has in-house captive power generation capacity of 11 MW.

In FY2017, the company had acquired Milano Spirits India Private Limited's (MSIPL) factory land, plant and machinery along with all the operational licences. The commercial operations started in July 2019 with an initial capacity of 69 KLPD. Over the years, the company has gradually added 397-KLPD capacity for ethanol manufacturing, taking the total installed capacity to 485.5 KLPD, of which 397 KLPD is for ethanol and 88.5 KLPD is for ENA. The 88.5-KLPD plant underwent revamp in FY2026 and is expected to commence operations in Q2 FY2027.

Key financial indicators (audited)

KBPL	FY2025	FY2026*
Operating income	371.9	880.1
PAT	10.0	54.1
OPBDIT/OI	6.2%	12.3%
PAT/OI	2.7%	6.2%
Total outside liabilities/Tangible net worth (times)	4.2	2.0
Total debt/OPBDIT (times)	8.0	1.6
Interest coverage (times)	4.5	5.8

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; * Provisional Numbers*

Status of non-cooperation with previous CRA:

CRA	Status	Date of release
CARE	CARE BB/Stable/CARE A4; ISSUER NOT COOPERATING	April 02, 2026

Any other information: None

Rating history for past three years

Current (FY2027)				Chronology of rating history for the past 3 years							
				FY2027		FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Aug 03, 2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based – Cash credit	Long-term	75.00	[ICRA]BBB-(Stable)	Apr 29, 2026	[ICRA]B+ (Stable); ISSUER NOT COOPERATING; withdrawn	Apr 07, 2025	[ICRA]B+ (Stable); ISSUER NOT COOPERATING	Jan 07, 2025	[ICRA]BB (Stable); ISSUER NOT COOPERATING	Dec 22, 2023	[ICRA]BB (Stable)
Fund based – Term loan	Long-term	99.22	[ICRA]BBB-(Stable)	Apr 29, 2026	[ICRA]B+ (Stable); ISSUER NOT COOPERATING; withdrawn	Apr 07, 2025	[ICRA]B+ (Stable); ISSUER NOT COOPERATING	Jan 07, 2025	[ICRA]BB (Stable); ISSUER NOT COOPERATING	Dec 22, 2023	[ICRA]BB (Stable)
Unallocated	Long-term/ Short-term	0.78	[ICRA]BBB-(Stable)/ [ICRA]A3	-	-	-	-	-	-	-	-
Fund based – Proposed term loans	Long-term	-	-	-	-	-	-	-	-	July 05, 2023	[ICRA]BB (Stable)
Fund based - Working capital demand loan	Long-term	-	-	Apr 29, 2026	[ICRA]B+ (Stable); ISSUER NOT COOPERATING; withdrawn	Apr 07, 2025	[ICRA]B+ (Stable); ISSUER NOT COOPERATING	Jan 07, 2025	[ICRA]BB (Stable); ISSUER NOT COOPERATING	Dec 22, 2023	[ICRA]BB (Stable)
Non-fund based - Letter of credit^	Long-term	-	-	Apr 29, 2026	[ICRA]B+ (Stable); ISSUER NOT COOPERATING; withdrawn	Apr 07, 2025	[ICRA]B+ (Stable); ISSUER NOT COOPERATING	Jan 07, 2025	[ICRA]BB (Stable); ISSUER NOT COOPERATING	Dec 22, 2023	[ICRA]BB (Stable)
Non-fund based - Bank guarantee	Short-term	-	-	Apr 29, 2026	[ICRA]A4; ISSUER NOT COOPERATING; withdrawn	Apr 07, 2025	[ICRA]A4; ISSUER NOT COOPERATING	Jan 07, 2025	[ICRA]A4; ISSUER NOT COOPERATING	Dec 22, 2023	[ICRA]A4
Non-fund based - Bank guarantee^^	Short-term	-	-	Apr 29, 2026	[ICRA]A4; ISSUER NOT COOPERATING; withdrawn	Apr 07, 2025	[ICRA]A4; ISSUER NOT COOPERATING	Jan 07, 2025	[ICRA]A4; ISSUER NOT COOPERATING	Dec 22, 2023	[ICRA]A4

^ sub-limit of long-term fund-based WCDL; ^^ sub-limit of long-term fund-based cash credit facility

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based – Cash credit	Simple
Long term – Fund based – Term loan	Simple
Long term / Short term – Unallocated	Not Applicable

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

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook	Financial sector regulator[#]
NA	**Cash credit**	-	-	-	75.00	[ICRA]BBB- (Stable)	RBI
NA	**Term loan - 1**	Mar 2022	-	Jan 2027	0.44	[ICRA]BBB- (Stable)	RBI
NA	**Term loan – 2**	Mar 2022	-	Feb 2030	52.78	[ICRA]BBB- (Stable)	RBI
NA	**Term loan – 3**	Oct 2023	-	Nov 2030	46.00	[ICRA]BBB- (Stable)	RBI
NA	**Unallocated**	-	-	-	0.78	[ICRA]BBB- (Stable)/ [ICRA]A3	RBI

Source: Company

[#]SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Please click here to view details of lender-wise facilities rated by ICRA

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

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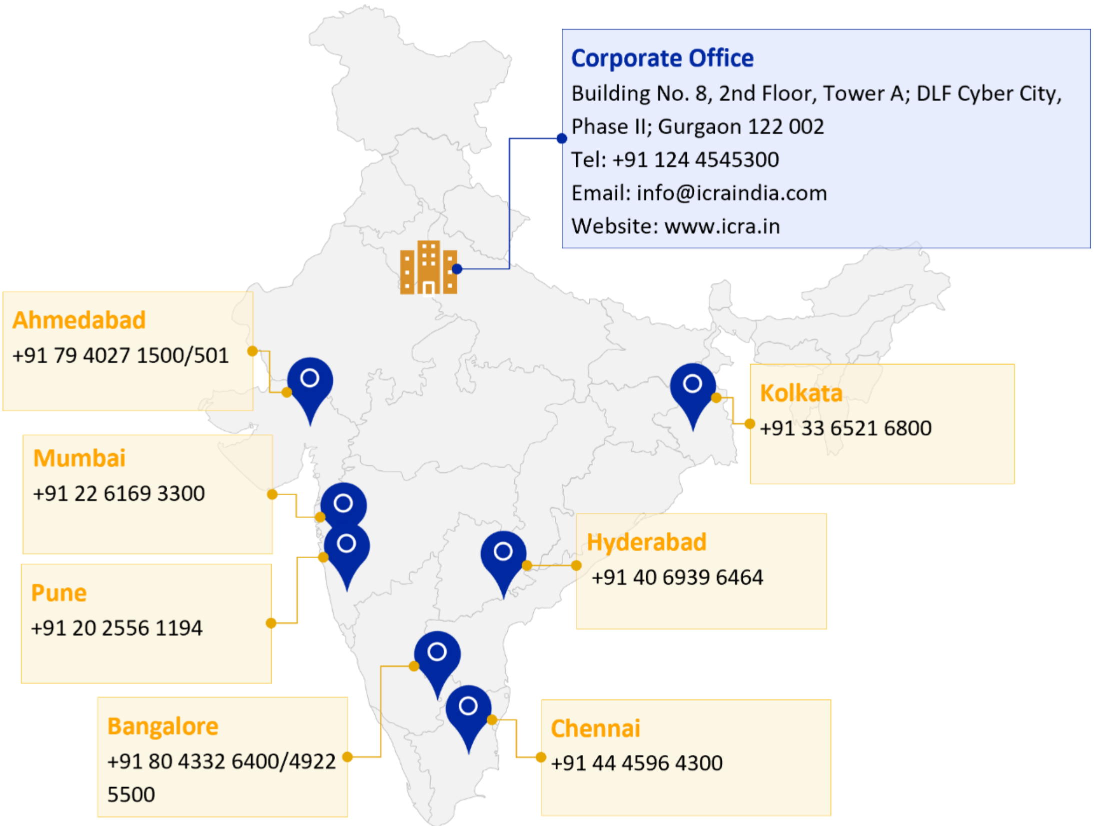

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