Rating Rationale

18 Mar 2026

Karthik Agro Industries Pvt. Ltd.

Brickwork Ratings assigns the long-term ratings of "BWR BBB-/Stable", for the bank loan facilities of Rs. 197.21 Cr. Simultaneously, BWR withdraws the rating for the bank loan facility of Rs. 87.69 Cr. of Karthik Agro Industries Pvt. Ltd.

Particulars:

<table>
<tr><th rowspan="2">Instruments / Facilities**</th><th colspan="2">Amount Rs Cr.</th><th rowspan="2">Tenure</th><th colspan="2">Rating</th></tr>
<tr><th>Previous</th><th>Present</th><th>Previous (02-April-2025)</th><th>Present</th></tr>
<tr><td rowspan="4">Fund Based</td><td>87.69</td><td>0.00</td><td rowspan="4">Long-term</td><td>BWR B -/Stable (Continues to be in ISSUER NOT COOPERATING* category/Downgraded)</td><td>Withdrawn</td></tr>
<tr><td>0.00</td><td>140.00</td><td>-</td><td>BWR BBB-/Stable/ Assignment</td></tr>
<tr><td>0.00</td><td>24.71</td><td>-</td><td>BWR BBB-/Stable/ Assignment</td></tr>
<tr><td>0.00</td><td>32.50</td><td>-</td><td>BWR BBB-/Stable/ Assignment</td></tr>
<tr><td>Total</td><td>87.69</td><td>197.21</td><td colspan="3">(Rupees One Hundred and Ninety Seven Crores, Twenty One Lakhs Only)</td></tr>
</table>

*Please refer to BWR website **www.brickworkratings.com/** for definition of the ratings
** Details of Bank Loan facilities is provided in Annexure-I

RATING ACTION / WITHDRAWAL
The company was previously rated by BWR for the Bank loan outstanding facilities of Rs. 87.69 Cr. on 02 Apr 2025 by downgrading the long-term ratings to "BWR B-/Stable" from "BWR B/Stable", with continuation under ISSUER NOT COOPERATING* category. The company has requested for withdrawal of ratings of the proposed term loan by submitting an undertaking stating that the company has not used this rating to borrow any facility and no amount is outstanding against the rated instrument/facility, which is held on record. Hence, in accordance with extant regulatory guidelines and as per BWR Rating Withdrawal Policy, the rating of the said instruments has been withdrawn with immediate effect.

RATING ACTION / OUTLOOK
Brickwork Ratings has assigned the long-term ratings of "BWR BBB-/Stable" for the bank loan facilities of Rs. 197.21 Cr.
The Rating has factored, inter alia, Extensive experience of promoters with Long-Standing Market Presence of the company, Contractual Agreements with Customer and diversified revenue streams, Government Support and Growth in scale of operations. The rating is constrained by Vulnerability of Operating Margin and Debt protection metrics to fluctuation in raw material prices, Exposure to regulatory risk in the industry and Concentration Risk.

Going forward, the ability of the company to improve its scale of operations, liquidity profile, maintain efficient working capital management and satisfactory gearing levels will remain the key rating sensitivities.
The rating outlook has been assigned as "Stable" as BWR believes that Karthik Agro Industries Pvt. Ltd., business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenue and profitability margins show sustained improvement. The rating outlook may be revised to 'Negative' if the financial risk profile goes down.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

The terms of sanction of the rated facilities include standard covenants normally stipulated for such facilities.

KEY RATING DRIVERS

Credit Strengths-:

- **Extensive experience of promoters with Long-Standing Market Presence of the company:** The company is managed by an experienced and qualified management team, which has decades of experience in the ENA and ethanol industry. Extensive experience, coupled with a professional management setup and long market existence, enhances the competitive position of the company in the industry, which has also helped the company in securing agreements with OMCs, building a strong supplier base and achieving financial and operational success.
- **Contractual Agreements with Customer and diversified revenue streams:** Presence of the company in a strategic location, enabling ease of raw material sourcing and efficient supplier and customer connectivity. Agreements with OMC's and other ENA customers ensures revenue visibility and business opportunities. Further, the use of the dry milling process enables the production of DDGS, providing an additional revenue stream and improves the overall operating margins.
- **Government Support:** The ethanol industry continues to benefit from strong government support under the Ethanol Blending Programme (EBP), driven by increasing ethanol demand and rising blending targets. Ethanol supply has been increasing year-on-year. Additionally, the interest subvention scheme provided by the Government of India helps reduce the financing cost associated with capital expenditure, thereby improving the operating company's financial viability.
- **Growth in scale of operations:** The operating income of the company has significantly increased in FY2025 to Rs. 712.99 Cr. from Rs. 284.19 Cr. in FY2024 marking an annual growth rate of 150.88%, also reflecting an improvement in the bottom line.

Credit Risks-:

- **Vulnerability of Operating Margin and Debt protection metrics to fluctuation in raw material prices:** The price of grains depends on demand-supply factors, these are volatile and can adversely affect the operating margin and Debt protection metrics. Though the government regularly intervenes to adjust the ethanol price paid by OMCs as per the input costs, sustainability of margin amid fluctuating maize and rice prices will remain a key monitorable over the medium term.
- **Exposure to regulatory risk in the industry:** The company operates in a regulated industry, with demand, pricing, and operating margins largely influenced by government policies and regulatory frameworks. Any adverse changes in ethanol blending targets, procurement prices, environmental regulations, or subsidy mechanisms could affect the company's cash flows and profitability. Consequently, the business remains exposed to regulatory risks inherent in the ENA and biofuels sector.
- **Concentration Risk:** Over the past few years, a significant portion of the company's revenue (approximately 60% on average during the last two years) has been generated from top 3 Oil Marketing

Companies (OMC) of India (BPCL, HPCL and IOCL). However, the risk is partially mitigated by the strong credit profiles of the customer and contractual agreements with diversified ENA buyers.

ANALYTICAL APPROACH - Standalone
For arriving at these ratings, BWR has considered the standalone performance of Karthik Agro Industries Pvt. Ltd. BWR has applied its rating methodology.

RATING SENSITIVITIES: The company's ability to improve its scale of operations, liquidity profile, maintain efficient working capital management, and satisfactory gearing levels will remain the key rating sensitivities.

Upward:

- Company achieving revenue in excess of Rs. 950.00 Cr., while maintaining operating profit margins above 6.50% and net profit margin of more than 2.00%, on a sustained basis.
- TNW in excess of Rs. 100.00 Cr. and Total Debt/TNW below 2.50x.
- Current ratio above 1.30x.
- DSCR and ISCR to remain at projected levels (DSCR above 1.04x and ISCR above 2.00x).

Downward:

- The ratings could be downgraded if there is a decline in the revenue by more than 10% from projected levels and net profit margin going below 1.00%.
- DSCR below 1.00x and ISCR below 2.00x.
- Current ratio diminishing to less than 1.10x.
- Total Debt/TNW of more than 3.75x.

LIQUIDITY INDICATORS - Adequate
The company has adequately covered its interest and CPLTD obligations with sufficient EBITDA and Internal Cash Accruals in the recent years. It has also maintained a comfortable level of debt protection metrics, with an ISCR of 2.23 times and a DSCR of 1.16 times in FY2025 (ISCR of 3.12 times and a DSCR of 1.38 times in FY2024). The current ratio increased to 1.27 times in FY2025 from 0.86 times in FY2024. As per the projected financials, the company is expected to report an EBITDA of Rs. 60.92 Cr. in FY2026 and Rs. 61.13 Cr. in FY2027 against the interest expenses of Rs. 26.60 Cr. in FY2026 and Rs. 26.60 Cr. in FY2027. Net cash accruals are expected to be of Rs. 32.19 Cr. in FY2026 and Rs. 32.82 Cr. in FY2027 which would be sufficient enough to cover the CPLTD obligations of Rs. 30.00 Cr. in FY2026 and Rs. 30.00 Cr. in FY2027. KAIPL does not have any capital market exposure and relies on banks and financial institutions to meet its funding requirements. However, BWR draws comfort from the financial support of the promoters, whose total Net Worth amounts to Rs. 171.09 Cr. Considering all these factors, the company's liquidity position is assessed as **"Adequate"**.

ABOUT THE ENTITY:
Karthik Agro Industries Pvt Ltd was originally incorporated as Karthik Glucons Private Ltd in January 2007. Later on the name was changed in March 2008 and operations commenced in 2010. Karthik Agro Industries Private Limited is registered in ROC-Bangalore with a distillery plant in Bagalkot, Karnataka. The company is engaged in the manufacturing of fuel ethanol, extra neutral alcohol (ENA), DDGS and Rectified Spirit (RS) from molasses and grains with a present capacity of 245 KLPD. The company has a 8.5 MW Co-gen plant for captive power requirements. Mr. Lingaraj H Mashyal and Mrs. Vandana Mashyal are the directors.

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Beverages	Breweries & Distilleries

ESG Profile: The company demonstrates an "Adequate" ESG profile based on its environmental, social, and governance practices.

Environmental: The company demonstrates a commitment to environmental sustainability by operating a Zero Liquid Discharge (ZLD) system, ensuring that no untreated effluent is released into the ecosystem. This is supported by an on-site effluent water treatment plant that recycles process water, significantly reducing the demand for fresh groundwater resources. Furthermore, the distillery minimizes waste production by converting spent wash into high-value DDGS and cattle feed, effectively implementing a circular economy model. These efforts help mitigate the high pollution potential typically associated with alcohol distillation.

Social: The company is actively engaged in various Corporate Social Responsibility (CSR) activities, focusing on the upliftment of local communities in the Bagalkot district. By providing a consistent market for 2.57 lakh metric tonnes of maize annually, the company supports the livelihoods of thousands of regional farmers. Internal social standards are maintained through safety protocols within the high-pressure boiler and distillation units to protect the workforce. The production of cattle feed as a by-product also contributes to the local agricultural economy by providing affordable nutrition for livestock. While community engagement is strong, the company continues to work on formalizing long-term social impact metrics and enhancing workforce diversity.

Governance: The company is governed by a Board comprising experienced and qualified professionals. The Board provides strategic oversight and ensures that operations are conducted in a transparent, accountable, and ethical manner. Robust internal control systems and compliance frameworks have been established to ensure adherence to statutory requirements, regulatory guidelines, and industry best practices. Periodic internal and external audits are conducted to maintain financial integrity and operational transparency.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY 22 - 23 (Audited - Annual)	FY 23 - 24 (Audited - Annual)	FY 24 - 25 (Audited - Annual)
Operating Revenue	Rs.Crs.	214.24	284.19	712.99
EBITDA	Rs.Crs.	10.67	12.21	51.02
PAT	Rs.Crs.	3.09	11.96	7.25
Tangible Net Worth	Rs.Crs.	25.04	31.79	77.80
Total Debt / Tangible Net Worth	Times	3.05	5.31	2.92
Current Ratio	Times	0.76	0.86	1.27

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY:
Not Applicable

ANY OTHER INFORMATION:
NONE

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

Facilities	Current Rating (2026)			2025		2024		2023	
Type	Tenure	Amount (Rs.Crs.)	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based	LT	0.00	Withdrawn	02 Apr 2025	BWR B -/Stable (Continues to be in ISSUER NOT COOPERATING *category/ Downgraded)	20 Mar 2024	BWR B/Stable (Continues to be in ISSUER NOT COOPERATING *category/ Downgraded)	27 Dec 2022	BWR B+/Stable (ISSUER NOT COOPERATING*/ Downgrade)
Fund Based	LT	140.00	BWR BBB-/ Stable/ Assignment	-	-	-	-	-	-
Fund Based	LT	24.71	BWR BBB-/ Stable/ Assignment	-	-	-	-	-	-
Fund Based	LT	32.50	BWR BBB-/ Stable/ Assignment	-	-	-	-	-	-

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to financial ratios
- BWR Withdrawal Policy
- Manufacturing Company

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Karthik Agro Industries Pvt. Ltd.

ANNEXURE I

Details of Bank Loan Facilities rated by BWR

Sl. No.	Name of the Bank/Lender	Type of Facilities	Long Term (Rs.Crs)	Short Term (Rs.Crs)	Total (Rs.Crs)	Complexity of the instrument*
1	State Bank of India	Term Loan - Proposed	0.00	-	0.00	Simple##
2	The Karnataka State Cooperative Apex Bank Ltd	Term Loan -1 availed under Consortium Arrangement	9.40	-	9.40	Simple##
3	The South Canara DCC Bank Ltd		6.25	-	6.25	Simple##
4	The Belegavi DCC Bank Ltd.		6.08	-	6.08	Simple##
5	The Kanara DCC Bank Ltd		2.98	-	2.98	Simple##
6	The Karnataka State Cooperative Apex Bank Ltd	Term Loan -2 availed under Consortium Arrangement	6.50	-	6.50	Simple##
7	The South Canara DCC Bank Ltd		9.75	-	9.75	Simple##
8	The Belegavi DCC Bank Ltd.		9.75	-	9.75	Simple##
9	The Kanara DCC Bank Ltd		6.50	-	6.50	Simple##
10	The Karnataka State Cooperative Apex Bank Ltd	Working Capital Loan - 1 availed under Consortium Arrangement	25.00	-	25.00	Simple##
11	The South Canara DCC Bank Ltd		25.00	-	25.00	Simple##
12	The Karnataka State Cooperative Apex Bank Ltd	Working Capital Loan - 2 availed under Consortium Arrangement	25.00	-	25.00	Simple##
13	The South Canara DCC Bank Ltd		25.00	-	25.00	Simple##
14	The Karnataka State Cooperative Apex Bank Ltd	Working Capital Loan - 3 availed under Consortium Arrangement	20.00	-	20.00	Simple##
15	The South Canara DCC Bank Ltd		20.00	-	20.00	Simple##
TOTAL			**197.21**	**-**	**197.21**	
Rupees One Hundred and Ninety Seven Crores, Twenty One Lakhs Only						

***For more information visit:** **www.brickworkratings.com/download/ComplexityLevels.pdf**

ANNEXURE II
INSTRUMENT (NCD/Bonds/CP/FDs) DETAILS
NIL

ANNEXURE III
List of entities consolidated
NIL

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