



## Press Release

### Svaksha Distillery Limited

(Revised)

May 12, 2022

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	70.00	IVR A(CE); Stable Outlook (IVR Single A (Credit Enhancement) with Stable outlook)	Assigned	Complex
<b>Total</b>	<b>70.00</b>	<b>Seventy crores only</b>		

\*CE rating based on corporate guarantee from BCL Industries Limited.

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Svaksha Distilleries Limited takes into account its corporate guarantee from BCL Industries. This corporate guarantee results in credit enhancement in the rating of the said instrument **to IVR A (CE)/Stable Outlook (IVR Single A (Credit Enhancement) with Stable outlook) against the unsupported rating of IVR BB/Stable (IVR Double B with Stable outlook)**. The rating further takes into account the extensive experience of the promoters of the company, strategic location advantage, comfort from corporate guarantee of BCL industries and comfortable project cost structure. However, these rating strengths continue to be constrained by project implementation risk, exposure to agro-climatic risk and exposure to risk related to government regulations.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes the firm's business risk profile will be maintained over the medium term. IVR has principally relied on the standalone audited financial results of the company up to 31 March 2021, guarantor analysis of BCL industries up to 31 March 2021, projected financials of BCL Industries Limited for FY22, FY23 and FY24, along with projections of Svaksha Distillery Limited for FY23, FY24, FY25 and FY26 and publicly available information/clarifications provided by the company's management.

**Key Rating Sensitivities:**



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### Upward Factors

- Completion of project on timely basis without any overruns leading to improvement in liquidity
- Significant and sustained improvement in operating performance leading to sustainable increase in profitability margins.

### Downward Factors

- Delay in implementation of project and cost overrun.
- Lower-than-expected operating performance leading to a significant decline in margins.

### Adequacy of Credit Enhancement Structure:

For assigning the ratings, Infomerics has assessed the attributes of the corporate guarantee issued by BCL Limited in favour of lenders who have extended the said facilities. The guarantee is legally enforceable, irrevocable and covers the entire amount and tenor of the rated facilities. The corporate guarantee results in an enhancement in the rating of the said facilities to IVR A (CE)/ Stable against the unsupported rating of IVR BB/ Stable /. The adequacy of credit enhancement has been tested after considering guaranteed debt by BCL. The adjusted capital structure and adjusted debt protection metrics of BCL remain adequate.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced promoters and key managerial personnel:**  
Svashka Distillery was incorporated on 12<sup>th</sup> June 2014 and is in a process of set up a grain based distillery plant at Kharagpur, West Bengal. The director Mr. Pankaj Kumar Jhunjhunwala has vast business experience of more than 10 years in varied sectors like beverage and construction industry. The senior management are efficiently running their existing distillery plant for the past 10 years in Punjab(BCL Industries Limited) and Infomerics believes the extensive experience of senior management will support Svaskha Distillery Limited in plant erection as well as it's operations and to establish healthy relationship between the customers and suppliers



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- **Strategic Location Advantage:**

The property is strategically located and is well connected to the other part of the city by road. The company also enjoys the benefits of abundant quantity availability of raw material ( i.e broken rice) as paddy in West Bengal throughout the year. The presence in paddy growing area gives a competitive advantage in terms of easy availability of paddy, lower freight, and favourable pricing terms.

- **Comfort from corporate guarantee:**

The company draws comfort from the corporate guarantee extended by group company BCL industries. The corporate guarantee to Svaska Distillery Limited stands for Rs 70 crore from Punjab National Bank comprising of term loan and working capital limit's. The total operating income of the guarantor stood at Rs. 1427.23 Cr. along with the PAT of Rs. 45.24 Cr. in FY21.

- **Comfortable project cost structure:**

The cost of project is Rs. 156.90 crs which will be majorly met through unsecured loan from holding and group companies, equity share capital along with share premium, preference share capital and Bank Loan.

### Key Rating Weaknesses

- **Project Implementation risk:**

Currently the project is in nascent stage. The company was incorporated in June 2014. As of February 22, the Company has purchased the land, civil construction work is almost completed and order for machinery has been placed and will received in 1st qtr of FY23.It is estimated that commercial production of the project would commence from July 2022. However, any delay in obtaining all necessary / statutory approvals, completion of civil works and installation of all critical plant and machineries will lead to time and cost overrun and impact the implementation schedule.

- **Exposure to agro-climatic risk:**



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SDL is primarily engaged in grain-based distillery, where major raw material is broken rice. Further, availability of rice is dependent on paddy, price of paddy is highly volatile and influenced by climatic conditions. SDL is susceptible to any shortage or price fluctuation during unfavourable climatic conditions and hence the raw material needs to be adequately stocked for the processing during non-season period. Moreover, changes in the Government regulations pertaining to the rice industry can impact the industry dynamics.

- **Exposure to risk related to government regulations:**

The liquor industry in India is governed by strict government regulations and license regime that differ from state to state. Each India's states have their own regulatory controls on the production, marketing and distribution, and even pricing of alcohol. Further, high taxation and duties also make the industry dynamics complex. This makes its operating profitability susceptible to any policy measure announced by the Government.

**Analytical Approach:** Credit Enhancement (CE) rating: Svaksha Distillery Limited (SDL) is a subsidiary of BCL Industries Limited who holds 73.50% of shareholding in SDL. BCL Industries Limited has provided corporate guarantee to the loan/limits sanctioned for SDL.

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Parent & Group Support](#)

**Liquidity – Adequate**

The company is projected to achieve the COD by July 2022. After attaining the COD in FY23, the projected gross cash accruals of the company will be at Rs. 9.74 Cr., Rs. 36.11 Cr and Rs. 46.21 Cr. in FY23, FY24 and FY25, respectively, as against the debt repayments



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obligations amounting to Rs. 8 Cr., Rs. 13.60 Cr. and Rs. 13.60 Cr. for FY23, FY24 and FY25, respectively. With projected interest coverage ratio will be at 1.97x for FY23, which is further expected to improve to 8.49x by FY26, the company's interest servicing capability is also considered comfortable. The current ratio is also projected to be moderate at 1.57x in FY24.

### About the Firm:

Svaksha Distillery Limited (SDL) was incorporated on 12th June, 2014 under Companies Act 2013. SDL is in process of set up a grain based distillery plant at Kharagpur, West Bengal for production of 200KLPD of ENA along with the by product of the process. Directors of SDL are Mr. Pankaj Kumar Jhunjunwala, Mr. Kushal Mittal, Mrs. Snweta Jhunjunwala, Ashok Kumar Monga and Krishan Kumar Bansal.

### **Financials (Standalone): (Rs. Crore)**

<b>For the year ended*</b>	<b>31-03-2020</b>	<b>31-03-2021</b>
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	0.00	0.00
EBITDA	-0.08	-0.06
PAT	-0.15	-0.15
Total debt	29.45	45.40
Tangible Net worth	3.07	12.26
Analysed Tangible Net worth	3.07	12.26
EBITDA Margin (%)	-	-
PAT Margin (%)	-2420.63	-511.33
Overall Gearing Ratio (x)	0.00	0.02

\*Classification as per Infomerics' standards

### **Financials of the Corporate Guarantor: BCL Industries (Rs. Crore)**

<b>For the year ended*</b>	<b>31-03-2020</b>	<b>31-03-2021</b>
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	913.39	1427.23
EBITDA	56.96	82.60
PAT	26.00	45.24
Total debt	172.89	178.04
Tangible Net worth	217.92	290.23



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Analysed Tangible Net worth	217.92	290.23
EBITDA Margin (%)	6.24	5.79
PAT Margin (%)	2.82	3.16
Overall Gearing Ratio (x)	0.94	0.76

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 Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	55.00	IVR A (CE); Stable outlook	Provisional IVR A (CE) /Stable Outlook (Provisional IVR Single A (CE) with Stable outlook) Sep 07, 2021	-	-
					Provisional IVR A (CE) /Stable Outlook (Provisional IVR Single A (CE) with Stable outlook) Dec 06, 2021		
					Rating Withdrawn Mar 23, 2022		
2.	Cash Credit	Long Term	15.00	IVR A (CE); Stable outlook	Provisional IVR A (CE) /Stable Outlook (Provisional IVR Single A	-	-



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		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
					(CE) with Stable outlook) Sep 07, 2021		
					Provisional IVR A (CE) /Stable Outlook (Provisional IVR Single A (CE) with Stable outlook Dec 06,2021		
					Rating withdrawn Mar 23, 2022		

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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has



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a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com).

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long term Bank Facility- Cash Credit	-	-	-	15.00	IVR A (CE); Stable outlook
Long term Loan Bank Facility-	-	-	-	55.00	IVR A (CE); Stable outlook

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

**Annexure 3: Facility wise lender details** <https://www.infomerics.com/admin/prfiles/Lender-12-05-22-Svaksha.pdf>

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

Name of Instrument	Bank loan rating
Financial Covenant	-Rate of interest: One-year MCLR + 3.00%. -Corporate Guarantee of BCL Industries Ltd



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	<ul style="list-style-type: none"><li>-Personal Guarantee of Mr. Kushal Mittal &amp; Mr. Pankaj Jhunhunwala &amp; Mrs. Shweta Jhunhunwala (Promoter Director)</li><li>-DER not to exceed project DER following any disbursement.</li><li>-Project Must achieve COD as on July 2022</li><li>-Unsecured loans to be subordinated to term debt.</li></ul>
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**Link to the last press release published on Infomerics' website:**

<https://www.infomerics.com/admin/uploads/pr-svaksha-distilleries-12 May 22.pdf>

**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](http://www.infomerics.com).