



Press Release

Svaksha Distillery Limited

(Revised)

January 23, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	70.00	IVR A+(CE); Stable Outlook (IVR Single A plus (Credit Enhancement)* with Stable outlook)	IVR A (CE); Stable outlook (IVR Single A (Credit Enhancement)* with Stable outlook)	Upgraded	Complex
Total	70.00		(Rupees Seventy Crore only)		

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

Unsupported Rating[^]	IVR BB/ Stable (IVR Double B with Stable Outlook)
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[^]Unsupported rating does not factor in the corporate guarantee given by BCL Industries Limited.

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the long-term credit enhancement rating of Svaksha Distilleries Ltd. is on account of improvement in financial risk profile of the guarantor, BCL Industries Ltd in FY22. The credit enhanced rating assigned to the bank facilities of Svaksha Distilleries Limited draws comfort from extensive experience of the promoters of BCL Industries Limited, diversified product portfolio, continuous improvement in scale of operation, strong financial risk profile with comfortable capital structure and moderate working capital requirement. However, these strengths are partially offset by exposure to risks associated with the agro-based nature of products and susceptibility of profitability to intense competition and volatility in raw material prices.

The unsupported ratings assigned to the bank facilities of Svaksha Distilleries Limited takes into account the extensive experience of the promoters of the company, strategic location advantage and comfort from corporate guarantee of BCL industries Ltd. However, these rating strengths continue to be constrained by risk related to stabilisation of operations, exposure to agro-climatic risk and exposure to risk related to government regulations.



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Key Rating Sensitivities of BCL Industries Limited:

Upward Factors

- Substantial and sustained growth in operating income and improvement in profitability.
- Sustenance of the capital structure and improvement in debt protection metrics.

Downward Factors

- Moderation in operating income and/or cash accrual or deterioration in operating margin, any stretch in the working capital cycle driven by pile-up of inventory or stretched receivables.
- Unplanned capital expenditure affecting the financial risk profile, particularly liquidity.

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 unconditional and covers the entire amount and tenor of the rated facilities and has a structured payment mechanism defining invocation and payment timelines. 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.

Transaction Structure

In event of payment default, the following structure will be applicable:

1. T being scheduled due date of payment
2. The Lender will invoke the bank guarantee within T - 1 days.
3. Payment by the guarantor will be made within (T) days.

Infomerics will consider T as its legal final maturity for the purpose of recognition of default.



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Key Rating Sensitivities of SDL:

Upward Factors

- Stabilization of operations leading to achievement of projected financials and improvement in liquidity
- Significant and sustained improvement in operating performance leading to sustainable increase in profitability margins.

Downward Factors

- Non-stabilization of operations resulting in significantly inferior than envisaged financials.
- Lower-than-expected operating performance leading to a significant decline in margins.

List of Key Rating Drivers with Detailed Description of BCL Industries Limited

Key Rating Strengths

Experienced Management

BCL was started by Late Shri Dwarka Dass Mittal in 1976. His son Mr. Rajinder Mittal (Managing Director) took over the business after him and has been involved with the company for more than three decades. BCL is governed by a diverse Board of Directors who are assisted by a well-qualified and experienced leadership team in handling the business operations.

Diversified product portfolio

The company has diversified product portfolio in its both segments which enables the company to spread its risk and reduces dependency on single/few products. The company is engaged in extraction & refining of edible oils, processing of rice, distillery production from grains, ethanol production and real estate development. BCL derives ~73.73% of income from edible oil and rice segment, ~25.78% from distillery products and ~0.49% from real estate segment in FY22. BCL has its own brand names such as Home Cook, Do Khajoor and Murli in the edible oil and Vanaspati ghee segment which are quite popular in North India. The company also sells country liquor and IMFL under its own brand names such as Punjab Special, BCL, Asli Santra etc.



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Continuous improvement in scale of operation

The total operating income of the company has witnessed an increasing trend with y-o-y growth of 39.37% in FY22. The total operating income improved from Rs.1427.23 crore in FY21 to Rs 1987.74 crore in FY22, driven by higher demand leading to higher capacity utilization, price affect and higher sale realization. The profitability of company in terms of EBITDA margin and PAT margin has improved in FY22 and stood at 6.93% (PY: 5.77%) and 4.26% (PY: 3.16%), respectively. The company has reported PAT of Rs. 23.49 Cr. on total operating income of Rs. 801.57 Cr. in H1FY23 as against PAT of Rs. 37.97 Cr. on total operating income of Rs 913.09 Cr. in H1FY22.

Strong financial risk profile

The financials risk profile remained strong over the years backed by steady improvement of gross cash accrual from Rs. 57.85 crore in FY21 to Rs 98.17 crore resulting in comfortable debt protection metrics. The interest coverage ratio at 7.81x as on March 31, 2022 (PY: 6.96x). Total debt to GCA stood at 2.14 years as on March 31, 2021 (PY: 3.08 years).

Comfortable Capital Structure

The capital structure of the company remained comfortable with its adjusted net worth of Rs.249.59 crore and over all gearing of 0.84x as on March 31, 2022 (Rs 232.28 crore net worth, 0.77x gearing as on March 31, 2021). Total debt of the company comprises of Rs 64.36 crore term loan along with current maturities of Rs 12.00 crore and working capital borrowing of Rs 132.38 crore as on March 31, 2022. Total indebtedness of the company improved from 1.46x in FY21 to 1.29x in FY22 driven by steady accretion of profits to reserves. BCL has issued fresh equity of Rs 5.00 crore in FY21 with a share premium of Rs 25.00 crore. Infomerics believes the capital structure and debt protection metrics will remain comfortable in the near term.

Moderate working capital requirement

BCL Industries has a moderate operating cycle of 48 days driven by inventory and efficient receivables of 44 days and 22 days respectively as on March 31,2022. Further, payables days of 17 days in FY22. The inventory levels are high as the company maintains an inventory level to ensure steady and continuous production cycle. BCL fund-based working capital limits remained moderately utilised at ~64.47% during the past 12 months ended January 2022.



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Further, the non-fund based limits of the company remained utilized at ~79.60% during the past 12 months ended March 2022.

Key Rating Weaknesses

Exposure to risks associated with the Agro-based nature of products

The company derives ~73.73% of income from edible oil and rice segment, 25.78% from distillery products in FY21. The edible oil business remains susceptible Availability of oil, both in the domestic and international markets, is linked to oilseed production, which is linked to monsoon, acreage under cultivation and yield.

Susceptibility of profitability to intense competition and volatility in raw material prices

The Indian edible oil industry is highly fragmented marked by the presence of numerous small players and low entry barriers. A large number of small units are operating in the sector with unbranded oils capturing a large part of the industry. Moreover, the raw material prices depend on international prices and demand supply situation both in the domestic and international markets. BCL is likely to remain exposed to intense competition in the industry and fluctuations in international oil prices. The edible oil and liquor industries also face significant intervention from the government, given the commoditised nature of products.



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List of Key Rating Drivers with Detailed Description of SDL

Key Rating Strengths

Experienced promoters

Svashka Distillery was incorporated on 12th June 2014 and has set up a grain based distillery plant at Kharagpur, West Bengal. The director Mr. Pankaj Kumar Jhunhunwala 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 operations and to establish healthy relationship between the customers and suppliers.

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

BCL Industries Ltd has provided corporate guarantee to Svaska Distillery Limited for Rs 70 crore from Union Bank of India comprising of term loan and working capital limit. As per FY22(A) of Svaskha Distillery Limited, BCL Industries has extended support of Rs 43.95 crore as unsecured loan. BCL Industries limited has 75.00% of shareholding of SDL. The total operating income of the guarantor stood at Rs. 1987.74 Cr. along with the PAT of Rs. 85.04 Cr. in FY22.

Key Rating Weaknesses

Risk related to stabilisation of Operations

The stabilization risk in terms of achieving envisaged sales and profitability is also critical for the company. However, availability of existing marketing and distribution network of associate entity mitigates this risk to a certain extent. The company has started its commercial



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production from 24th June 2022. During 9MFY23, the Company has generated sales of ~Rs 113 Crore and have further order book of Rs. 215 Crore.

Exposure to agro-climatic risk

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: Assessment of the credit profile of BCL Industries Limited, provider of irrevocable and unconditional corporate guarantee to the bank facilities of SDL. Svaksha Distillery Limited (SDL) is a subsidiary of BCL Industries Limited which holds 75.00% of shareholding in SDL.

Unsupported Rating: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for Ratings based on Credit Enhancement](#)

[Criteria for assigning rating outlook](#)

Liquidity (BCL Industries Limited) – Adequate

BCL earned gross cash accruals of Rs.98.17 crore as against its repayment obligation of Rs.26.01 crore as on March 31, 2022. The company fund-based working capital limits remained moderately utilised at ~64.47% during the past 12 months ended January 2022,



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indicating sufficient buffer to meet incremental requirements. The company has a current ratio of 1.84x as of March 31, 2022. Moreover, the company is expected to generate cash accruals in the range of Rs.100.00-140.00 crore as against its debt servicing obligation of ~Rs.2.50 to 13.00 crore FY23-25 attributable to low long-term debt in its capital structure. The company has adequate cash and cash equivalents amounting to Rs.19.20 crore as on March 31, 2022. All these factors reflect adequate liquidity position of the company.

Liquidity (SDL) – Adequate

SDL's liquidity position is adequate marked by expectation of sufficient cushion in cash accruals vis-à-vis its debt repayment obligations in the next 3 years. The company has started the commercial production from 24-June-2022. Projected interest coverage ratio is expected to be at 2.14x for FY23, which is further expected to improve to 6.42x by FY25, the company's interest servicing capability is also considered moderate. The current ratio is also projected to be moderate at 1.49x as on March 31, 2023.

About the Company

Svaksha Distillery Limited (SDL) was incorporated on 12th June, 2014 under Companies Act 2013. SDL has 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.

About the Guarantor

BCL Industries Limited (BCL) was incorporated in 1976 as Bhatinda Chemicals & Vanaspati Private Limited. In 1985, the company became a public limited company, and the name was changed to Bhatinda Chemicals Limited. In January, 1993, the Company shares went for a public issue for 29 lakh shares of Rs.10 each at a premium of Rs.5. Subsequently in 2008, the name was changed to BCL Industries and Infrastructure Limited. The Company got the name "BCL Industries Limited" in 2018. BCL is listed at Bombay Stock Exchange. BCL is part of the Mittal group, founded by Shri D.D. Mittal. The company has diversified business interests such as extraction & refining of edible oils, processing of rice, distillation and real estate development. Distillery unit has power plant of 10MW for captive use only.



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Financials – SDL (Standalone)

(Rs. Crore)

For the year ended*/ As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	0.00	0.00
EBITDA	-0.06	-0.11
PAT	-0.15	-0.27
Total debt	48.40	131.93
Tangible Net worth	9.26	46.99
EBITDA Margin (%)	NM*	NM*
PAT Margin (%)	NM*	NM*
Overall Gearing Ratio (x)	5.22	2.81

*Classification as per Infomerics' standards

Financials of the Guarantor: BCL Industries Ltd.

(Rs. Crore)

For the year ended* / As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	1427.23	1987.74
EBITDA	82.40	137.69
PAT	45.24	85.04
Total debt	178.04	209.73
Tangible Net worth	289.76	369.21
EBITDA Margin (%)	5.77	6.93
PAT Margin (%)	3.16	4.26
Overall Gearing Ratio (x)	0.61	0.57

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Not applicable

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	Rating (May 12, 2022)	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	IVR A (CE); Stable outlook	Provisional IVR A (CE) /Stable Outlook (Provisional IVR Single A	-	-



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Rating (May 12, 2022)	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		
2.	Cash Credit	Long Term	15.00	IVR A+ (CE); Stable Outlook	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		



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About Infomerics:

Infomerics Valuation and Rating Private Limited (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 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.

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.



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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
Long term Bank Facility – Cash Credit	-	-	-	15.00	IVR A+ (CE); Stable outlook
Long term Loan Bank Facility – Term Loan	-	-	Upto Dec`2029	55.00	IVR A+ (CE); Stable outlook
Unsupported Long Term	-	-	-	-	IVR BB/ Stable

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

Annexure 3: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/Len-Svaksha-jan23.pdf>

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

Name of Instrument	Detailed Explanation
Financial Covenant	<ul style="list-style-type: none">-Rate of interest: One-year MCLR + 3.00%.-Corporate Guarantee of BCL Industries Ltd-Personal Guarantee of Mr. Kushal Mittal & Mr. Pankaj Jhunhunwala & Mrs. Shweta Jhunhunwala (Promoter Director)-DER not to exceed projected DER following any disbursement.-Project Must achieve COD as on July 2022-Unsecured loans to be subordinated to term debt.

Link to the last press release published on Infomerics' website:

<https://www.infomerics.com/admin/uploads/pr-svaksha-distilleries-23Jan23.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.