



## Press Release

### Svaksha Distillery Limited

(Revised)

September 28, 2023

#### Ratings

Instrument / Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	146.80	IVR A+(CE); Stable Outlook (IVR Single A Plus (Credit Enhancement) with Stable outlook)	IVR A+(CE); Stable Outlook (IVR Single A Plus (Credit Enhancement) with Stable outlook)	Re-affirmed	Complex
<b>Total</b>	<b>146.80 (Rupees One Hundred Forty Six and Eighty Crore only)</b>				

\*CE Rating based on irrevocable and unconditional corporate guarantee provided by BCL Industries Limited.

<b>Unsupported Rating #</b>	Long Term Bank Facilities	IVR BB/ Stable (IVR Double B with Stable Outlook)
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# Unsupported rating does not factor in the Corporate Guarantee from BCL Industries Limited.

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings re-affirmed to the bank facilities of Svaksha Distilleries Limited (SDL) are based on the unconditional and irrevocable corporate guarantee given by BCL Industries Limited (BCL) (Group company; rated IVR A+/Stable/A1+) which covers the entire rated amount. For assigning the ratings, Infomerics has assessed the attributes of the guarantee issued by BCL in favour of lenders who have extended the said facilities. The guarantee is legally



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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 guarantor's capability to support the guaranteed amounts is found to in line with credit profile connoted by the credit ratings assigned.

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 ratings also derive strength from established track record of the promoters, satisfactory progress of the project and expectation of continued support from the BCL group. However, these rating strengths continue to be constrained by stabilisation of operations, exposure to agro-climatic risk and exposure to risk related to government regulations.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Improvement in the credit profile of the corporate guarantor.
- Timely completion of the project and achievement of revenues and earnings as envisaged.
- Significant and sustained improvement in operating performance leading to sustainable increase in profitability margins.

#### **Downward Factors**

- Deterioration in the credit profile of the corporate guarantor.
- Cost overrun or delay in completion of projects.
- 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 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



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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.**

### **List of Key Rating Drivers with Detailed Description**

#### **A. Key Rating Strengths**

#### **Corporate Guarantee from BCL Industries Limited and expectation of continued support from the BCL Group**

BCL has extended an unconditional and irrevocable corporate guarantee for the rated bank facilities of Svaksha Distilleries Limited. The promoter group owns 75 per cent stake in SDL as on March 31, 2023. Further, the rating also factors in expectation of continuous support by the BCL group for timely servicing of the debt obligations to the company. The operational cash flows of SDL are currently inadequate to service its debt obligation and continuous support from the promoters will be a key rating sensitivity factor. Infomerics believes that the promoter group will continue to support the debt servicing commitments of SDL, and any timely, need-based financial support will also be extended by the corporate guarantor, in case of any pressure on cash flows. The rating is sensitive to the credit risk profile of BCL. Any material increases in BCL consolidated leverage levels will remain key monitorable.

#### **Satisfactory credit profile of the Corporate Guarantor**

The credit risk profile of BCL remained satisfactory, marked by its healthy net worth base and moderate capital structure with satisfactory debt protection metrics. The company has a net worth base of Rs. 488.84 crore as on March 31, 2023. The overall gearing ratio stood at 0.69x as on March 31, 2023. However, the company has also guaranteed debt of Rs. 142.75 crores of group companies, which further moderates the capital structure. Total indebtedness of the



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company marked by TOL/ATNW remained satisfactory at 1.65x as on March 31, 2023. The debt protection metrics remained comfortable with interest coverage ratio at 15.45x in FY23. Further, total debt to EBITDA at 3.01 times as on March 31, 2023, and total debt to GCA at 3.87 years as on March 31, 2023, was moderate. Further even if adjust the amount of corporate guarantee from the Tangible Net Worth the overall gearing comes at 1.61x in FY23 which seems to be moderate.

### **Experienced promoters and key managerial personnel**

The directors have vast business experience 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 its operations and to establish healthy relationship between the customers and suppliers

### **Strategic Location Advantage:**

The manufacturing unit is located at Mouza, Dist.-Paschim Medinipur, West Bengal which is on main road connecting NH-49(formerly NH-6) connecting Koklata- Mumbai is 3 kms from the site, is 10 kms away from Kharagpur Railway Station . 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 is available 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.

### **B. Key Rating Weaknesses**

#### **Stabilisation of Operations:**

The stabilization risk in terms of achieving envisaged sales volume and realization 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



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commercial production from 24<sup>th</sup> June 2022. As of March 2023, the Company has generated sales of ~Rs 186.82 Crore and have further order book of Rs. 246.24 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.

### **Analytical Approach: Standalone and credit enhancement**

**Credit Enhancement** is based on the unconditional and irrevocable corporate guarantee provided by BCL Limited (BCL, rated by Infomerics at IVR A+/ Stable / IVR A1+) to the bank facilities of Svaksha Distilleries Limited.

### **Applicable Criteria:**

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Entities](#)

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

[Criteria on Default Recognition](#)

[Rating Methodology for Structured Debt Transaction \(Non-Securitisation Transaction\)](#)

### **Liquidity: Adequate**

The company is already commence its commercial operations from June 2022. The company's liquidity position is expected to remain adequate in the near-term backed by support from BCL and full tie up of project cost. To meet any cashflow mismatches during the project stabilisation phase, Infomerics expects BCL to provide need-based funding support to SDL.



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### About the company

Svaksha Distillery Limited (SDL) is a public limited company. SDL was incorporated on 12/06/2014 and registered with ROC – Kolkata. The registered office of the company is based at Mouza: Dakshin Simla, Dag No:1288(P), JL-355, PO: Changual, PS: Kharagpur Local, Paschim Midnapore-721301 (West Bengal). SDL, is being managed by Promoter Directors Mr. Kushal Mittal and Mrs. Sunita Mittal along with the support of other key personnel to runs the business.

### About the Corporate 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.

### Financials (Standalone):

	(Rs. crore)	
For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	0.00	186.82
EBITDA	-0.11	11.26
PAT	-0.27	-7.71
Total Debt	128.93	236.72
Adjusted Tangible Net worth	142.00	188.02
<b>Ratios</b>		
EBITDA Margin (%)	-	6.30%
PAT Margin (%)	-	-4.12%
Adjusted Overall Gearing Ratio (x)	0.26x	0.49x

\*Classification as per Infomerics' standards





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Financials of the Corporate Guarantor BCL Industries Limited :

(Rs. crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	1993.07	1633.09
EBITDA	137.69	112.31
PAT	85.05	72.08
Total Debt	209.73	337.69
Adjusted Tangible Net worth	245.02	300.42
<b>Ratios</b>		
EBITDA Margin (%)	6.91	6.88
PAT Margin (%)	4.24	4.40
Adjusted Overall Gearing Ratio (x)	0.86x	1.12x

\*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (23/01/23)	Date(s) & Rating(s) assigned in 2022-23 (12/05/22)	Date(s) & Rating (s) assigned in 2021-22 (06/12/21)	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	116.80	IVR A+ [CE]/ Stable	IVR A+ [CE]/ Stable	IVR A[CE]/ Stable	Prov IVR A[CE]/ Stable	-
2.	Cash Credit	Long Term	30.00	IVR A+ [CE]/ Stable	IVR A+ [CE]/ Stable	IVR A [CE]/ Stable	Prov IVR A [CE]/ Stable	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration



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from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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 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 fund-based facility – Term Loan	-	-	Dec 2029	51.00	IVR A+(CE); Stable Outlook (IVR Single A Plus (Credit Enhancement) with Stable outlook)
Long term fund-based facility – Term Loan	-	-	March 2032	65.80	IVR A+(CE); Stable Outlook (IVR Single A Plus (Credit Enhancement))





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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
					with Stable outlook)
Long term non-fund-based facility – Cash Credit	-	-	-	30.00	IVR A+(CE); Stable Outlook (IVR Single A Plus (Credit Enhancement) with 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/len-svaksha-sep23.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"><li>-Rate of interest: One-year MCLR + 1.25%.</li><li>-Corporate Guarantee of BCL Industries Ltd</li><li>-Personal Guarantee of Mr. Kushal Mittal &amp; Mrs. Sunita Mittal (Promoter Director)</li><li>-Collateral security: 7,53,364 pledges of shares of BCL Industries Limited held by Promoters i.e Mr. Kushal Mittal &amp; Mrs. Sunita Mittal.</li><li>-DER not to exceed project DER following any disbursement</li><li>-Project Must achieve COD as on April 2024</li><li>-Unsecured loans to be subordinated to term debt.</li></ul>

**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).

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

<https://www.infomerics.com/admin/uploads/pr-svaksha-distilleries-28sep23.pdf>