



Press Release

Boudh Distillery Private Limited

September 3, 2020

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1	Long Term Bank Facilities	52.89	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	Assigned
	Total	52.89 (Rupee Fifty two crore and eighty nine lakh only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Boudh Distillery Private Limited (BDPL) derives strength from extensive experience of the promoters in the liquor industry, locational advantage, satisfactory financial performance and comfortable debt protection metrics. The rating also positively notes repeat orders from its reputed clientele and favourable demand outlook. However, these rating strengths remain constrained due to short track record of operations and susceptibility of its profitability to volatility in input prices. The rating also considers vulnerability to regulatory changes in the liquor industry.

Key Rating Sensitivities

Upward Factors:

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

Downward Factors:

- Moderation in operating income and/or cash accrual or deterioration in operating margin
- Sizeable capital expenditure affecting the financial risk profile, particularly liquidity.
- Deterioration in overall gearing to over 1.50x and interest coverage to below 2.00x



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of the promoters in liquor industry**

The company is promoted by Ranchi based one Sahu Family which has around eight decade-long experience in the liquor industry. In Odisha, they have more than 50 mini-distilleries where liquor is manufactured from Mahua flower and sold to retail outlets across the state. Apart from this, they have an established presence in liquor retailing in Jharkhand, Odisha and West Bengal. They also have bottling plants for Indian made foreign liquor (IMFL) in the state of Odisha and Jharkhand.

- **Locational advantage**

BDPL has a grain based distillery in Boudh District of Odisha which provides locational advantage in terms of availability of raw material (Broken Rice). Broken Rice, a by-product of rice manufacturing unit is available in abundance in Odisha and other nearby states like West Bengal, Bihar and Jharkhand. Besides, due to absence of any other large size grain based distillery, demand for ENA outpaces supply in the State of Odisha.

- **Satisfactory financial performance with improvement in FY20**

The company commenced operations from June 2018. During nine months of operations in FY19, the company generated revenue of Rs.61.17 crore. In FY20, BDPL successfully ramped up its scale of operations and reported total operating income of Rs.123.89 crore. The EBIDTA margin of the company also improved to 24.75% in FY20 (Provisional) from 19.87% in FY19 due to scale up in the operations and reduced raw material cost.

- **Comfortable debt protection metrics and moderate leverage indicators**

Overall gearing of BDPL improved from 1.70x as on March 31, 2019 to 1.23x as on March 31, 2020 with accretion of profit and repayment of term debt. Moreover, Total indebtedness of the company as reflected by TOL/TNW remained moderate at 1.56x as on March 31, 2020 (2.02x as on March 31, 2019). The debt protection parameters as reflected by the interest coverage ratio remained comfortable at 4.51x in FY20 (FY19: 1.89x) driven by higher EBITDA. Further, the Total debt to GCA stood satisfactory at 2.72 years in FY20.

- **Repeat orders from a reputed clientele**



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The company has reputed client base, which includes renowned liquor entities such as United Spirits Ltd (Diageo), Pernod Richard India Pvt Ltd etc. The company gets repeat orders from its reputed clientele, reflecting BDPL's acceptable product quality. Apart from this, the reputed client base reduces counterparty risk to a large extent.

- **Favourable demand outlook**

Domestic liquor industry demand outlook remains favourable. The industry's growth prospect is expected to be supported by favourable demographics, rising disposable incomes and urbanisation. These growth drivers are expected to support the company's revenues.

Key Rating Weaknesses

- **Short track record of operation**

BDPL started its operation in June, 2018. Accordingly, it has a short track record of operation.

- **Volatility in input prices**

BDPL's major raw material for manufacturing of ENA is grain (Broken rice) and the prices of same are volatile, since grains are seasonal products being susceptible to vagaries of nature.

- **Vulnerability to regulatory changes in the liquor industry**

The liquor industry in India is governed by strict government regulations and license regime that differ from state to state. India's states each 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. The business risk profile thus remains vulnerable to any changes in the license authorisation policy, taxes and duty structure.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity Position: Adequate



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The liquidity of the company is expected to remain adequate in the near to medium term marked by sufficient accruals vis-à-vis its debt repayment obligations. Besides, working capital limits average utilisation also remained low at ~ 39% in the twelve months ended July 2020.

About the Company

Boudh Distillery Private Limited is promoted by Sahu family who has been in liquor industry for around eight decades. In 2016, Sahu family decided to set up grain-based distillery unit to manufacture extra neutral alcohol (ENA) in Boudh district of Odisha. The commercial operations of the distillery unit started in June 2018 with installed capacity of 19.80 million bulk liters (BL) per annum.

Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	61.17	123.89
EBITDA	12.15	30.66
PAT	-4.22	9.10
Total Debt	61.85	55.98
Tangible Net worth	36.47	45.57
EBITDA Margin (%)	19.87	24.75
PAT Margin (%)	-6.85	7.34
Overall Gearing Ratio (x)	1.70	1.23

*Classification as per Infomerics' standards.

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 Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term loan	Long	41.39	IVR	-	-	-



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		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
		Term		BBB-/Stable			
2.	Cash Credit	Long Term	11.50	IVR BBB-/Stable	-	-	-

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.

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About Infomerics:

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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 / Outlook
Long Term Bank Facilities- Term loan	-	-	June 2025	41.39	IVR BBB-/ Stable
Long Term Bank Facilities- Cash Credit	-	-	-	11.50	IVR BBB-/ Stable
Total	-	-	-	52.89	

Annexure 2: Facility wise lender details (Hyperlink to be added)

<https://www.infomerics.com/admin/prfiles/Lender-Boudh-Distillery-Pvt-Ltd-03-sep-20-.pdf>