



## Press Release

**Agrawal Distilleries Private Limited**

**December 5, 2022**

### Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	44.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Rating reaffirmed and removed from Credit Watch with Developing Implications	Simple
Short Term Bank Facilities	1.00	IVR A3 (IVR A Three)	Rating reaffirmed and removed from Credit Watch with Developing Implications	Simple
<b>Total</b>	<b>45.00</b> <b>(Rupees Forty Five crore only)</b>			

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The reaffirmation of ratings of the bank facilities of Agrawal Distilleries Private Limited (ADPL) and removal of Credit Watch with Developing Implications factors in the commissioning of the debt funded capex as envisaged. The ratings continue to derive strength from ADPL's experienced promoters, strong business profile with high entry barriers in the industry and moderate financial profile of the company. The ratings are, however, constrained by the susceptibility of profitability to volatility in the input prices, and highly regulated nature of 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.

#### Downward Factors



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- Any un-envisaged incremental debt funded capital expenditure deteriorating its overall gearing ratio beyond 1.75x on a sustained basis
- Adverse regulatory changes having significant impact on the operations/ financials of the company.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### Experienced promoters

The promoters of the company have more than three decade-long experience in the liquor industry. Mr Harminder Singh Bhatia is engaged in government licensed wholesale liquor and distillation of liquor since 1987. He has a broad experience in trading and manufacturing of country liquor and Indian made foreign liquor (IMFL). Mr Jaivinder Singh Bhatia, son of Mr. Harminder Singh Bhatia, looks after the day-to-day administration of the company for a decade.

##### Strong business profile with high entry barriers in the industry

The liquor industry is state driven i.e. under the control of state government. The state of Madhya Pradesh has provided licence to ADPL to sell country liquor in 3 of its districts. It has a distillation plant and bottling plant in Khargone district, and government provided warehouses located at Katni, Khandwa and Betul districts. The company enjoys a monopoly with exclusive right to sale in 3 districts, which mitigates the risk of price competition and ensures steady demand.

Further, liquor policies governing production and sale are entirely controlled by the various state governments. With all alcohol consuming states/union territories having their own regulations, tax structures and entry-exit restrictions, it is very difficult for new entrants to get licenses, thus providing a competitive advantage to the existing players.

##### Moderate financial profile

Post unlocking, ADPL reported 8% increase in the total operating income to Rs.49.67 crore in FY22 against Rs.45.97 crore in FY21. Its EBITDA margin and PAT margin moderated due to an increase in the raw material prices. However, they remained high at 13.85% and 7.84% respectively in FY22. Due to the capex, its capital structure and debt protection metrics moderated, with overall gearing and TOL/ TNW ratios of 1.10x and 1.37x respectively as on March 31, 2022 as against 0.92x and 1.32x respectively as on March 31, 2021. Its interest



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coverage and Total debt/ GCA ratios stood at 9.49x and 9.82x respectively in FY22 as against 9.06x and 4.57x respectively in FY21.

### **Key Rating Weaknesses**

#### **Susceptibility of profitability to volatility in the input prices**

The raw material accounts for around 60% of total cost of sales. The company procures the raw materials like molasses, glass bottles, packing materials etc. from the market at spot rates, the prices of which are volatile in nature. Any upward movement in the raw material prices may adversely affect the profitability of ADPL.

#### **Highly regulated nature of liquor industry**

Liquor industry is highly regulated in India with each state controlling the production, sales and duty structure independently including control on pricing. Beside this, there is a ban on all forms of direct and indirect advertising for liquor in the country, leading to market players resorting to surrogate advertising. The complexity of the industry further lies in the different types of distribution models followed in various states like government-controlled agencies, private distribution system and auction. The uncertainty evolving around any regulatory norms make the industry vulnerable and profitability susceptible to any unforeseen changes.

### **Analytical Approach: Standalone**

### **Applicable Criteria:**

Criteria of assigning Rating Outlook

Rating methodology for Manufacturing companies

Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity: Adequate**

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. ADPL has an operating cycle of 31 days in FY22 as against 40 days in FY21. The average collection period and average inventory holding period stood at 24 days and 51 days in FY22 against 25 days and 45 days respectively in FY21. The average creditors period stood at 45 days in FY22 as against 30 days in FY21. Besides, average utilisation of working capital limits remained



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comfortable at around 62% in the twelve months ended September 2022. Current ratio and quick ratio were 1.79x and 1.40x respectively as on March 31, 2022, indicating comfortable short-term liquidity.

### About the company

ADPL promoted by Mr. Subhash Agrawal and Mr. Luv Agrawal, was incorporated as Agrawal Breweries & Textile Limited in 1997. Subsequently, the company was taken over by Vivashwan Hotel India Pvt. Ltd. (VHIPL) in 2005 and renamed to Agrawal Distilleries Private Limited. Post takeover VHIPL sold 65% of the shares to the current promoters of the company which is entirely managed by Mr. Harminder Singh Bhatia since April 2015.

Mr. Harminder Singh Bhatia has been in liquor industry for more than three decades, with vast experience in trading and manufacturing of country liquor and IMFL. He is also part of Regent Beers and Wines since past 4 years. Regent Beer manufactures 'The Bira 91' beer. Mr. Jaivinder Singh is actively involved in administration of the company.

The company is engaged in business of distilling and bottling of country liquor. The company has manufacturing capacity of 54 lac bulk litre p.a. in distilleries plant and 17 lacs cases p.a. in bottling plant. The company operates its business in 4 different districts of Madhya Pradesh; it has a distillation plant and bottling plant in Khargone district and the company has warehouses located at Katni, Khandwa and Betul districts of Madhya Pradesh which are provided by government. The company operates molasses-based distillery and currently, it has capacity of 54 lac bulk ltr p.a.

ADPL has commenced its grain-based distilleries process plant at village Sabalपुरa, Khargone (MP) in July 2022. The planned capacity of the new plant is 144 lac bulk ltr p.a., making the total installed capacity of 198 lac bulk ltr p.a. against licensed capacity of 360 lac bulk ltr. p.a. The plant was set up at a cost of Rs.54.15 crore funded through debt of Rs.34.00 crore and the balance Rs.20.15 crore through promoter's fund. The setting up of this grain-based distillery plant is expected to yield higher margins to the company going forward.

### Financials (Standalone):

(Rs. crore)		
For the year ended / As On*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Operating Income	45.97	49.67



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For the year ended / As On*	31-03-2021 (Audited)	31-03-2022 (Audited)
EBITDA	7.91	6.88
PAT	4.56	3.92
Total Debt	25.20	48.16
Tangible Networkth	27.29	43.78
<b>Ratios</b>		
EBITDA Margin (%)	17.22	13.85
PAT Margin (%)	9.86	7.84
Overall Gearing Ratio (Adusted) (x)	0.92	1.10

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

**Rating History for last three years:**

Sr N o.	Name of Instrume nt/Faciliti es	Current Ratings (Year 2022-23)			Rating History for the past 3 years			
		Type	Amou nt outsta nding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (June 10, 2022)	Date(s) & Rating(s) assigned in 2021- 22	Date(s) & Rating(s) assigned in 2020- 21	Date(s) & Rating(s) assigned in 2019-20 (October 14, 2019)
1.	Cash Credit	Long Term	10.00	IVR BBB-/ Stable	IVR BBB-; Credit Watch with Developing Implications	-	<ul style="list-style-type: none"> <li>IVR BBB-/ Stable (March 12, 2021)</li> <li>IVR BB+; Issuer Not Cooperating* (December 18, 2020)</li> </ul>	IVR BBB-/ Stable
2.	Term Loan	Long Term	34.00	IVR BBB-/ Stable	IVR BBB-; Credit Watch with Developing Implications	-	<ul style="list-style-type: none"> <li>IVR BBB-/ Stable (March 12, 2021)</li> <li>IVR BB+; Issuer Not Cooperating* (December 18, 2020)</li> </ul>	IVR BBB-/ Stable
3.	Bank Guarante e	Short Term	1.00	IVR A3	IVR A3; Credit Watch with Developing Implications	-	<ul style="list-style-type: none"> <li>IVR A3 (March 12, 2021)</li> <li>IVR A4+; Issuer Not Cooperating*</li> </ul>	IVR A3





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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	Date(s) & Rating(s) assigned in 2022-23 (June 10, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20 (October 14, 2019)
							(December 18, 2020)	

*\*Issuer did not cooperate; based on best available information*

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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 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



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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
Cash Credit	-	-	-	10.00	IVR BBB-/ Stable
Term Loan	-	-	May 31, 2028	34.00	IVR BBB-/ Stable
Bank Guarantee	-	-	-	1.00	IVR A3

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

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Agrawal-Distilleries-dec22.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable

**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).