



Press Release

Ankoo Distilleries Private Limited

April 01, 2022

Rating

Instrument Facility /	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities (Proposed)	462.00	Provisional IVR BBB+ (CE); Stable* (Provisional IVR Triple B Plus [Credit Enhancement] with Stable Outlook)	Assigned	Complex
Total	462.00 (Rs. Four hundred and Sixty Two Crore only)			

* based on proposed corporate guarantee from M/s Ankur Biochem Private Limited

Unsupported Rating¹	Provisional IVR BB; Stable (Provisional IVR Double B with Stable Outlook)
Rating in the absence of the pending steps/ documents²	Provisional IVR BB; Stable (Provisional IVR Double B with Stable Outlook)

Note: Unsupported rating does not factor in the proposed corporate guarantee from M/s Ankur Biochem Private Limited

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the proposed bank facilities of Ankoo Distilleries Private Limited (ADPL) derives comfort from its experienced promoters and proposed corporate guarantee from Ankur Biochem Private Limited (ABPL). This proposed corporate guarantee results in credit enhancement in the rating of the said bank facilities to Provisional IVR BBB+ (CE); Stable*

(Provisional IVR Triple B Plus [Credit Enhancement] with Stable Outlook) against the unsupported rating of **Provisional IVR BB; Stable (Provisional IVR Double B with Stable Outlook)**. Further, the rating also derives strength from satisfactory credit profile of the Corporate Guarantor, experienced promoter, locational advantage, availability of long-term offtake agreement with Government body and policy initiatives by the Government.

1 As stipulated vide SEBI circular no. SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019

2 As stipulated vide SEBI circular no. SEBI/ HO/ MIRSD/ MIRSD_CRADT/ P/ CIR/ 2021/ 554 dated April 27, 2021



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However, these rating strengths are constrained due to pending financial closure and project implementation risks. The rating also considers exposure to government regulations and termination of offtake agreement.

Further, the rating assigned to above-mentioned bank facilities are provisional and will be confirmed once the company submits all the documents/ completes all the steps mentioned below to the satisfaction of Infomerics:

- a) Sanction of bank facilities
- b) Execution and submission of Corporate Guarantee deed for the above bank facilities

Key Rating Sensitivities:

Upward Factors

- Project to be completed without cost and time overrun.
- Moderation in the credit profile of the proposed corporate guarantor

Downward Factors

- Project gets delayed with cost and time overrun.
- Improvement in the credit profile of the proposed corporate guarantor

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoter**

The directors' family is widely experienced in the respective industries. Mr. Aditya Sharma (promoter-director and son of Mahendra Sharma, promoter ABPL) is at the helm of affairs of the company with support from other directors and a team of experienced professionals. The promoters of ADPL have extensive entrepreneurial and technical experience. The promoters have diversified businesses which includes Ethanol distilleries, manufacturing of country liquor and foreign liquor, bottling of liquor etc. They have been engaged with this activity for more than three decades.

- **Locational advantage**

The manufacturing facilities of ADPL will be in Bankura District of West Bengal. The unit is surrounded by number of rice mills, FCI godowns, sugarcane and other foods grains growing areas which provides easy availability of Grains to run a grain based distillery. Accordingly,



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proximity to the source of raw materials & end user market provides a competitive edge. This apart, the area is well connected by road and rail.

- **Availability of long-term offtake agreement with Government body ensures revenue visibility and relatively lower counterparty credit risks**

About 62% of the proposed installed capacity of the project has been tied up with OMCs (IOCL, BPCL & HPCL together) by an Offtake agreement signed on January 03, 2022, The OMCs will offtake 10.23 crore Litre of ethanol per annum for 10 years after commencement of operation. The payment will be through escrow account as proposed and the payment generally will be made within 21days from supply of ethanol. This apart, the company is entitled to avail various incentive from State and Central Government to implement Ethanol distilleries project.

- **Proposed corporate guarantee from ABPL**

ABPL has proposed to extend a corporate guarantee to the extent of bank facilities proposed to avail by ADPL. ABPL has a strong financial profile and is engaged in Grain Based Distillery business in Jharkhand along with manufacturing of IMFL and IMCL and bottling job work since 2012. Going forward, Infomerics believes need based financial support will also be extended by the corporate guarantor, in case of pressure on cash flows.

- **Policy initiatives by the Government**

In January 2013, the Union government launched the Ethanol Blended Petrol (EBP) programme, which made it mandatory for oil companies to raise ethanol blending in petrol to 25% by 2025 from the current ~5%. In lieu of the above developments and also given that the government currently does not allow import of ethanol for fuel blending, the outlook appears bright for this industry.

Key Rating Weaknesses:

- **Susceptibility of operating margin to volatile raw material prices**

The key raw material for ethanol manufacturing is rice grain, maize, sugarcane, corn etc. Availability and prices both are volatile in nature due to presence of agro-climatic risk and cyclicity in the industry.

- **Exposure to government regulations and termination of offtake agreement**



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Ethanol production and demand from OMC's are highly dependent on government regulations. This apart, as per the offtake agreement with OMCs, the principle can terminate its agreement by 30 days' notice if the supplier (ADPL) fails to supply in time or operate the business and any adverse changes in current law/directives comes from Government.

- **Project Risk**

ADPL is going to initiate a manufacturing facility of grain-based distillery of 500 KLPD capacity to produce Bioethanol under the Ethanol Blending Program scheme launched by GOI and 14.0 MW power plant for captive use. Currently, the company has floated a greenfield project to setup the manufacturing unit at Mejia in Bankura district of West Bengal. The company has acquired a piece of ~33 acre land and diverting the same for industrial use. Total project cost is to be Rs. 569.81 crore which will be financed by equity if Rs.130.81 crore, term loan of Rs.439 crore. However, financial closure is yet to be achieved and the company has incurred Rs.2.10 crore till January 31, 2022, which is financed from promoters contribution. The project is expected to complete by December 2023.

Analytical Approach:

Credit Enhancement (CE) rating: Assessment of the credit profile of M/s Ankur Biochem Private Limited (ABPL), provider of proposed corporate guarantee to ADPL.

Unsupported rating: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

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

[Policy on Provisional Ratings](#)

Liquidity – Adequate

The liquidity is expected to remain adequate marked by resourcefulness of the promoters and support for other group companies. Further, the company is expected to earn a gross



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cash accrual in the range of ~Rs.19-102 crore during FY24-26 and would be sufficient to meet its debt repayment obligations in the range of Rs.26 to 48 crore crore during FY24-26.

Validity of the Provisional Rating:

The provisional rating shall be converted into a final rating after receipt of the duly executed transaction documents/ completion of the steps mentioned above within 90 days from the date of issuance of the instrument/ bank facilities. An extension of further 90 days may be granted on a case-to-case basis in line with Infomerics' Policy on Provisional Ratings.

Risks associated with provisional nature of credit rating:

When a rating is assigned to debt instruments pending execution of certain crucial documents/ steps to be taken, the rating is a 'Provisional' rating and is indicated as such by prefixing 'Provisional' before the rating symbol. Once the steps/actions are completed/ the required documentation is executed to the satisfaction of Infomerics, the provisional rating is converted into final rating by Infomerics. In absence of receipt of documents/ completion of steps or where such documents deviate significantly from that considered by Infomerics earlier, the provisional rating will be reviewed in line with the Policy on Provisional Ratings.

About the Company

Ankoo Distilleries Private Limited (ADPL) was incorporated in May 2008 at Asansol in Bardhaman district of West Bengal, by one Sharma family to initiate a manufacturing facility of alcohol based products. Since inception, the company was remained inactive and later on during 2021, the company has planned to initiate grain-based distillery to produce Bioethanol under the Ethanol Blending Program scheme launched by GOI and 14.0 MW power plant for captive use. The company is a part of Westwell Group, which has business interest in various fields like- manufacturing of country liquor, ethanol distillery, iron and steel, dealership etc.

Currently, ADPL is elected by GOI for Ethanol Blending Program scheme and the company has entered into a Long Term Offtake Agreement with OMCs. In this regard, the company has floated a greenfield project to setup a manufacturing unit at Bankura district in West Bengal. The company has acquired a piece of ~33-acre land and obtained a land diversion order from Govt of WB. The project details and status as below



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About the Corporate Guarantor (ABPL)

ABPL, the sister concern of ADPL, has proposed to extend a corporate guarantee (vied a BR as on Feb 08, 2022) to the extent of bank facilities proposed to avail by ADPL. Ankur Biochem Pvt Ltd is already running a Grain Based Distillery in Jharkhand since 2012 that uses broken rice as feedstock. The Distillery unit has a production capacity of 100 KLPD. The plant is spread across 23 acres of land. Apart from distillery company has also implemented 225000 cases per month Bottling Plant for production of Indian Made Foreign Liquor (IMFL) and Indian Made Country Liquor (IMCL). ABPL has started job work of bottling for Allied Blenders & Distillers (ABD India) and also manufactures Mohan Meakins brand popularly known as Old Monk under royalty arrangement with the brand owner.

ABPL achieved a turnover of ~Rs.257 crore during FY21. ABPL has a vast experience in alcohol and distilleries related field. Currently the company is running by the promoter directors, namely, Mr. Mahendra Sharma and other three directors and a group of experienced personnel.

Financials (Standalone): ADPL is in project stage with operations to start from December 2023 tentatively.

Financials of the Corporate Guarantor ABPL (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	249.74	257.03
EBITDA	26.80	37.76
PAT	9.29	12.35
Total Debt	46.07	120.23
Adjusted Tangible Net worth	74.73	102.11
EBITDA Margin (%)	10.73	14.69
PAT Margin (%)	3.71	4.79
Overall Gearing Ratio (x)	0.62	1.18

**As per Infomerics' Standard*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term loan (proposed)	Long Term	462.00	Provisional IVR BBB+ (CE); Stable	-	-	-

** based on proposed corporate guarantee from M/s Ankur Biochem Private Limited*

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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

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



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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
Term loan (proposed)	-	-	-	462.00	Provisional IVR BBB+ (CE)* /Stable

* based on proposed corporate guarantee from M/s Ankur Biochem Private Limited

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Ankoor-Distilleries-lenders-apr22.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.