



Press Release

Ankoo Distilleries Private Limited

November 18, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	335.00	IVR BB+ / Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Total	335.00 (Rs. Three hundred and Thirty-five crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Ankoo Distilleries Private Limited (ADPL) derives comfort from its experienced promoter, locational advantage, availability of long-term offtake agreement with Government body ensures revenue visibility and relatively lower counterparty credit risks, policy initiatives by the Government. However, these rating strengths are partially offset by susceptibility of operating margin to volatile raw material prices, exposure to government regulations and termination of offtake agreement and project risk.

Key Rating Sensitivities:

Upward Factors

- Project to be completed without cost and time overrun.

Downward Factors

- Project gets delayed with cost and time overrun.

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



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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, 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 100% 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.

- **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 310 KLPD capacity to produce Bioethanol under the Ethanol Blending Program scheme launched by GOI and 8.0 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. 353.28 crore which will be financed by equity of Rs.18.28 crore, term loan of Rs.335 crore. Financial closure has already been achieved with the sanction of bank term loan from State Bank of India. The company has incurred Rs.43 crore till September 30, 2022, which is financed from promoters contribution of Rs.18.28 crore in the form of equity and unsecured loan of Rs.0.52 crore and balance from bank term loan. The project is expected to complete by December 2023.

Analytical Approach: Standalone

Applicable Criteria

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

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 cash accrual in the range of ~Rs.12-63 crore during FY24-26 and would be sufficient to meet its debt repayment obligations in the range of Rs.20-37 crore during FY24-26.

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



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of alcohol-based products. Since inception, the company 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 8.0 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.

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

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 Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loans	Long Term	335.00	IVR BB+/Stable		-	-

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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).



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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.

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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
Term Loan	-	-	September 2031	335.00	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-Ankoor-Distilleries-nov22.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.