Press Release

Boudh Distillery Private Limited
September 29, 2022

Rating

Facilities	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	119.08 (Enhanced from 52.89)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Revised from IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Simple
Total	**119.08 (INR One Hundred and Nineteen Crore Only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in rating assigned to the bank facilities of Boudh Distillery Private Limited (BDPL) considers improvement in the financial performance of the company in FY22 marked by rise in total operating income and absolute profits leading to improvement in gross cash accruals coupled with its comfortable capital structure with healthy debt protection metrics. Further, the rating continues to derive strength from extensive experience of its promoters in the liquor industry, locational advantage of being sole grain-based distillery plant in Odisha, repeat orders from its reputed clientele and favourable demand outlook for its products. However, these rating strengths continue to remain constrained due to its short track record of operations, susceptibility of its profitability to volatility in input prices and vulnerability of the business to regulatory changes. Further, the rating also note exposure to project execution risk due to its ongoing debt-funded capacity expansion capex programme which may impact its liquidity position to an extent in the near term.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in operating income and improvement in profitability leading to improvement in debt protection metrics
- Satisfactory execution of ongoing project without any time and cost overrun
- Sustenance of the capital structure with overall gearing maintained below 1.5x and improvement in debt protection metrics

Downward Factors

- Moderation in operating income and/or cash accrual or deterioration in operating margin to below 20%
- Delay in execution of project affecting the liquidity
- Deterioration in overall gearing to over 1.50x and interest coverage to below 3.00x

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience and established track record 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 Extra Neutral Alcohol (ENA) outpaces supply in the State of Odisha.
- **Comfortable financial performance in FY22**

  The total operating income of the company witnessed a y-o-y growth of ~49% i.e. from Rs.111.30 crore in FY21 to Rs.165.00 crore in FY22, driven by improvement in sales volume and favourable market demand of ENA, Ethanol and other by products. Further, the EBITDA margin of the company continues to remain healthy at 31.82% in FY22 (35.15% in FY21) though moderated due to increase in raw material cost and other operating costs. Further, the PAT margin also witnessed an improvement from 16.29% in FY21 to 17.75% in FY22 on the back of rise in absolute EBITD and decline in finance cost. Moreover, in FY22 the company has earned gross cash accruals of Rs.38.42 crore as against Rs.27.98 crore in FY21. Further, in Q1FY23 the company has earned a revenue of Rs.32.28 crore.

- **Healthy financial risk profile**

  The financial risk profile of the company continued to remain healthy marked by its comfortable capital structure and strong debt protection metrics. The capital structure of the company continues to remain comfortable and has improved driven by accretion of profit to reserves coupled with scheduled repayment of term loans. The debt equity ratio and overall gearing ratio stood comfortable at 0.28x and 0.39x respectively as on March 31,2022 (0.52x and 0.66x respectively as on March 31, 2021). Total indebtedness of the company also remained comfortable marked by TOL/TNW at 0.60x as on March 31,2022 (0.96x as on March 31, 2021). With improvement in profitability and in gross cash accruals, debt protection metrics of the company as indicated by interest coverage ratio remained comfortable at 15.68x in FY22 vis-a-vis 7.78x in FY21. Further, Total debt to EBITDA has also improved from 1.14x as on March 31,2021 to 0.71x as on March 31,2022. Total debt to GCA also remained comfortable at 0.97 years in as on March 31,2022. However, the capital structure of the company will moderate in the near term due to availment of term loan for its ongoing capex.

- **Repeat orders from a reputed clientele**

  The company has reputed client base, which includes renowned liquor entities such as United Spirits Ltd, 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**

  The outlook for distillery units is expected to remain stable in the near to medium term driven by growing demand of liquor across the country and growth in demand of Ethanol due to government push for reduction in fossil fuel.

Key Rating Weaknesses

- **Short track record of operation**

  BDPL started its operation in June 2018. Accordingly, it has a short track record of operation. However, notwithstanding its short track record the company has achieved satisfactory financial performance.

- **Susceptibility of profitability to 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.

- **Exposure to project implementation risk**

  The company has embarked a capex programme in order to double its capacity from 60 KLPD (present capacity utilisation is ~98%) to 120 KLPD in view of high demand of ENA and rise in demand for Ethanol. The proposed plan includes additional capacity to produce 45KLPD of Ethanol and 15 KLPD of Extra Neutral Alcohol (ENA) along with additional cogeneration power plant of 2.50 MW in the existing plant. The envisaged project cost is Rs.111.23 crore which is proposed to be funded out of promoter's contribution of Rs.27.81 crore and term loan of Rs.83.42 crore. Till August 19,2022 the company has already completed ~73% of the project has already incurred ~Rs.82 crore (including unadjusted advance to suppliers of Rs. 12.90). The project is expected to start operations from April 2023.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Criteria of assigning rating outlook

Liquidity – Adequate

The liquidity of the company is expected to remain adequate in the near to medium term marked by its expected sufficient cash accruals vis-à-vis its debt repayment obligations. The company is expected to earn cash accruals in the range of ~Rs.35-60 crore vis-a-vis debt repayment obligation in the range of ~Rs. 8.00-20.29 crore during FY23-FY25. The company has earned cash accrual of ~Rs.38.42 crore in FY22. Further, the average utilisation of its fund-based limit remains comfortable at ~40% in the trailing 12 months ended in August 2022 indicating a satisfactory liquidity buffer. Moreover, the company has adequate gearing headroom backed by its comfortable capital structure.

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. At present, the company has an ongoing capex plan to double its capacity.

Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	111.30	165.00
EBITDA	39.13	52.51
PAT	18.23	29.54
Total Debt	44.73	37.31
Tangible Net worth	67.34	96.87
EBITDA Margin (%)	35.15	31.82
PAT Margin (%)	16.29	17.75
Overall Gearing Ratio (x)	0.66	0.39

**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 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 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	LT	107.58	IVR BBB/Stable	IVR BBB-/Stable (November	IVR BBB-/Stable (Sep	-

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					29,2021)	03,2020)	
2.	Cash Credit	LT	11.50	IVR BBB/Stable	IVR BBB-/Stable (November 29,2021).	IVR BBB-/Stable (Sep 03,2020)	-

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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.

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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 2030	107.58	IVR BBB/Stable
Cash Credit	-	-	-	11.50	IVR BBB/Stable

Annexure 2: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/Len-Boudh-Distillery-sep22.pdf

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

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 https://www.infomerics.com.