Chilika Distilleries Private Limited

March 20, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	160.25	IVR BBB-; Stable (IVR Triple B minus with stable outlook)	-	Rating Assigned	Simple
Total	**160.25 (Rupees one hundred sixty crore and twenty-five lakh only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The rating assigned to the bank facilities of Chilika Distilleries Private Limited (CDPL) derives comfort from its experienced management, commencement of operation in Ethanol plant, locational advantage & procurement ease, availability of long-term offtake agreement with Oil Marketing Companies (OMC) & others to ensures revenue visibility and tie-up arrangements for bottling plant. The ratings also note extensive support of government in the form of interest subsidy & capital subsidy in the ethanol sector and rising demand for fuel grade ethanol augmented by GOI initiatives. However, these rating strengths are partially offset by its nascent stage of operation, susceptibility of operating margin to volatile raw material prices coupled with exposure to agro-climatic risk, exposure to government regulations & risk of termination of offtake agreement and moderate capital structure.

The stable outlook is on account of the expected benefits that will accrue to the company from favourable industry outlook which will support operations. The strong demand for ethanol, particularly for petrol blending application currently far outpaces supply and the ethanol industry is set to benefit from this as well as from supportive government policies such as interest subvention.

Key Rating Sensitivities:

Upward Factors

- Sustained increase in operating income and profitability leading to improvement in gross cash accruals
- Improvement in the capital structure with improvement in leverage ratios and improvement in debt protection metrics

Downward Factors

- Moderation in the scale of operation with moderation in profitability impacting the capital structure with moderation in overall gearing
- Delay in receipt of subsidies impacting the liquidity profile
- Any changes in Govt. policies negatively impacting the company

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced management**

The company is promoted by Mr. Vikrant Kumar Sahu, Mrs. Swarnalata Sahu and Mr. Manoj Kumar Sahu who have more than 20 years of experience in country-liquor manufacturing and retailing across Orisha. The company has also hired a technical expert, Dr. Sanjay Patil who is a Ph. D in biotechnology and has experience of around 36 years in distillery operations.

- **Commencement of operation in Ethanol plant to drive the revenue**

The grain-based distillery manufacturing unit to produce 110 KLPD Ethanol has started its operations from end of January 2025 under Phase II of capex plan of the company. Earlier, bottling plant for Indian made foreign liquor has started in June 2023 under phase I. The Ethanol plant was commissioned at a cost of Rs.180.02 crore which has been financed by term loan of Rs.144.30 crore and promoters' contribution of Rs.35.73 crore. Commencement of operation in Ethanol plant is expected to drive the revenue going forward. The company has achieved revenue of ~Rs.35 crore till February 2025.

- **Locational advantage and procurement ease**

The manufacturing facilities of CDPL is in the agriculturally rich belt in the Ganjam District which is the highest paddy cultivation area of Orissa. As such, the plant is surrounded by rice mills which ensures timely and easy availability of raw materials like damaged/broken rice 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.

The company has entered into long term agreements with Sri Sai Rice Mills & Sri Sai Food Processor for conversion of paddy into broken rice. Additionally, the company also procures from Food Corporation of India. Further, CDPL has two silos each with a storage capacity of 4500 tons inside the plant.

- **Availability of long-term offtake agreement with Oil Marketing Companies (OMCs) and others to ensures revenue visibility**

CDPL has long-term purchase agreements with OMCs like Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL), Indian Oil Corporation Limited (IOCL) to supply 40 KLPD grain-based Ethanol for a period of 10 years from commencement of commercial operations (COD). Furthermore, ReGLO Industries (P) Ltd, an aggregator, has entered into a supply agreement for 60 KLPD of Ethanol with CDPL. Apart this, CDPL has also enrolled with Reliance Industries Ltd and Nayara for supplying 10 KLPD of Ethanol.

- **Tie up arrangements for bottling plant**

CDPL has entered into tie up arrangements with ADS Distilleries Pvt Ltd for bottling of “Royal Green” whisky. Besides, the CDPL also started producing Rum under its own brands.

- **Extensive support of government in the form of interest subsidy and capital subsidy in the ethanol sector**

The company receives Interest Subvention from Central Govt (NABARD) for its term loan under the DFPD (Department of Food and Public Distribution) scheme, the benefit of which is available for five years including a moratorium period of 1 year. Apart this, the company is eligible for 50% interest subsidy from State Government (up to 6% p.a.) of the actual interest paid on the term loan availed for setting up the ethanol plant, which is likely to support its cash flows in future. The company is also eligible to get Capital-Subsidy of 20% on Plant & Machinery as per IPR (Industrial Policy Resolution) 2022, which will be operational after 6 months from COD.

- **Rising demand for fuel grade ethanol augmented by GOI initiatives**

There has been various measure announced but the Government of India for achieving 20% ethanol blending with petrol by 2025 to reduce India’s import dependence on energy security/forex spending and to cut down on fossil fuel emissions. Incentives include interest subvention etc. Further, the by-product DDGS, meant for animal feed, is also a very fast selling product.

Key Rating Weaknesses

- **Nascent stage of operation**

The bottling plant was commissioned in June 2023. Thereafter, the grain-based Distillery of 110 KLPD of fuel grade ethanol was commissioned in end of January 2025 and therefore FY26 [FY refers to the period from April 1 to March 31] will be the first year of major commercial operation. Hence, the company is at its nascent stage of its operations. CDPL has earned a revenue of ~Rs.35 crore till February 2025.

- **Susceptibility of operating margin to volatile raw material prices coupled with exposure to agro-climatic risk**

With raw material costs accounting for majority of the overall cost and limited control over selling prices of ethanol, CDPL's profitability will be vulnerable to volatility in raw material (key ingredients – maize, rice and wheat) prices like other players in the industry as key raw materials, being agricultural crops, are seasonal in nature, the availability of the same is affected by factors such as changes in weather conditions, low or high rainfall, production levels, etc. However, the risk is partly mitigated by regular revision of prices for ethanol by the Government on regular intervals based on the prevailing raw material prices.

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

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 if the supplier fails to supply in time or operate the business and any adverse changes in current law/directives comes from Government.

- **Moderate capital structure**

The capital structure of the company marked by overall gearing ratio (including quasi equity of Rs.14.94 crore) remain leveraged at 3.54x as on March 31, 2024, as CDPL had higher reliance on long term debts to fund its project. However, going forward, with stabilisation of operations and scheduled payment of term loans, the leverage ratios is likely to improve.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The company is expected to earn a gross cash accrual in the range of ~Rs.7.37-47.19 crore as against its debt repayment obligations in the range of Rs.5.28-27.01 crore during FY25-FY27. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. The average cash credit limit utilisation remains moderate at ~84% in the past 12 months ended January 2025 indicating moderate liquidity buffer for the company. However, the company is eligible for subsidies from GOI and State government of Orissa which is expected to support its liquidity.

About the Company

Chilika Distilleries Private Limited (CDPL) was incorporated in 2015 by Mr. Vikrant Kumar Sahu at Ganjam district of Orissa to set up a liquor bottling and grain-based distillery manufacturing unit to produce 110 KLPD Ethanol accompanied with bottling work of Indian made foreign liquor and production of country liquor. CDPL has commissioned the project in phases, the bottling plant started operating from June 2023 and the Ethanol plant has started its operations from end of January 2025. The plant is state of the art and is capable of manufacturing Ethanol and Extra Neutral Alcohol (ENA) both. Presently, the company is only focussing on manufacturing of Ethanol.

Financials (Standalone):

(Rs. Crore)

For the year ended / As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	0.92	9.66
EBITDA	0.41	1.42
PAT	0.01	0.01
Total Debt	76.20	123.97
Tangible Net worth	7.36	20.04
Adjusted Tangible Net worth	7.36	34.98
EBITDA Margin (%)	44.39	14.72
PAT Margin (%)	1.08	0.09
Overall Gearing Ratio (x)	10.35	3.54
Interest Coverage (x)	3.62	2.08

**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 Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in in 2021-22
1.	Term Loan	Long Term	146.50	IVR BBB-; Stable	-	-	-
2.	Cash Credit	Long Term	13.75	IVR BBB-; Stable	-	-	-

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About Infomerics:

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	March'30	146.50	IVR BBB-; Stable
Cash Credit	-	-	-	-	13.75	IVR BBB-; Stable

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-chilika-distilleries-mar25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.