



Press Release

Boudh Distillery Private Limited

November 29, 2021

Rating

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action
Long Term Bank Facilities	52.89 (including proposed limit of 11.01 crore)	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook).	Reaffirmed
Total	52.89 (Fifty Two Crore & Eighty Nine Lakh Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of rating assigned to the bank facilities of Boudh Distillery Private Limited (BDPL) derives strength from extensive experience its promoters in the liquor industry, locational advantage, repeat orders from its reputed clientele and favourable demand outlook. Further, the ratings also note improvement in its financial performance in FY21 and healthy financial risk profile marked by satisfactory debt protection metrics. However, these rating strengths 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 company has embarked a debt-funded capex programme towards capacity expansion which is likely to moderate 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.
- 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 decline in cash accrual or deterioration in operating margin to below 20%



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- 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 ENA outpaces supply in the State of Odisha.

- **Improvement in financial performance in FY21**

The total operating income of the company witnessed moderation from Rs.123.84 crore in FY20 to Rs.111.30 crore in FY21, i.e., a decline of ~10% as the production gets effected due to nation-wide lockdown during Q1FY21. However, the revenues of the company still largely remained stable during FY21. Notwithstanding the moderation in its turnover the operating margin of the company improved over the years and the same witnessed improvement from 25.36% in FY20 to 35.15% in FY21 as result of better cost optimisation and drop in raw material (mainly Broken Rice) cost. Moreover, rise in average sales realisation also aided the growth. Further, the PAT margin also improved from 10.16% in FY20 to 16.29% in FY21 due to increase in EBITDA coupled with drop in interest outgo. With rise in profitability the gross cash accruals have also improved from ~Rs.24 crore in FY20 to ~Rs.28 crore on FY21.

- **Healthy financial risk profile**



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The financial risk profile of the company remained healthy marked by its comfortable capital structure and strong debt protection metrics. The capital structure of the company improved driven by accretion of profit to reserves coupled with scheduled repayment of term loans and continued to remain comfortable. The debt equity ratio and overall gearing ratio stood comfortable at 0.52x and 0.66x respectively as on March 31,2021(0.93x and 1.14x respectively as on March 31, 2020). With improvement in profitability, debt protection metrics of the company as indicated by interest coverage ratio was comfortable at 7.96x in FY21 vis-a-vis 4.69x in FY20. Further, Total debt to EBITDA has also improved from 1.78x as on March 31,2020 to 1.14x as on March 31,2021. Total debt to GCA also remained comfortable at 1.60 years in FY21.

- **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.

- **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.

- **Significant debt-funded capex plans towards capacity expansion**

The company has embarked a capex programme in order to double its capacity from 60 KLPD to 120 KLPD in view of high demand of ENA and rise in demand for Ethanol. The proposed plan include additional capacity to produce 45KLPD of Ethanol and 15 KLPD



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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 proposed term loan of Rs.83.42 crore. The company has applied for the term loan. The company has already incurred Rs.15 crore funded through promoters contribution. The project is expected start operations from April, 2023. The company is exposed to moderate execution risk as the project is in the initial stage of progress.

- **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.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure 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 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.24-42 crore vis-a-vis debt repayment obligation in the range of ~Rs4-10.5 crore during FY22-24. The company has earned cash accrual of ~Rs.28 crore in FY21. Further, the average utilisation of its fund-based limit remain comfortable at ~21% in the trailing 12 months ended in October 2021 indicating a satisfactory liquidity buffer. Moreover, the company has adequate gearing headroom backed by its comfortable capital structure. However, the capex programme started by the company may tamper the liquidity in the near term to an extent.

About the Company



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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

For the year ended* / As On	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	123.84	111.30
EBITDA	31.40	39.13
PAT	12.64	18.23
Total Debt	55.96	44.73
Tangible Net worth	49.11	67.34
EBITDA Margin (%)	25.36	35.15
PAT Margin (%)	10.16	16.29
Overall Gearing Ratio (x)	1.14	0.66

*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 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	LT	41.39 (Including proposed limit of 11.01 crore)	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	IVR BBB-/Stable (Sep 09,2022)	-	-
2.	Cash Credit	LT	11.50	IVR BBB-/Stable	IVR BBB-/Stable	-	-



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
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				(IVR Triple B minus with Stable Outlook)	(Sep 09,2022)		

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About Infomerics:

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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	-	-	June 25	30.38	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)
Term Loan - Proposed	-	-	-	11.01	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)
Cash Credit	-	-	-	11.50	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Boudh-distillery-lenders-nov21.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loan	Simple
2.	Cash Credit	Simple

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.