



Press Release

Svaksha Distillery Limited

December 06, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating	Rating Action
1.	Bank Facilities-Long Term (Proposed)	70.00	Provisional IVR A (CE)/Stable Outlook (Provisional IVR Single A (CE) with Stable Outlook)	Assigned
	Total	70.00		

** The credit enhancement (CE) rating is backed by corporate guarantee to be given by BCL Industries Limited for the rated facilities.*

Details of Facilities are in Annexure 1

Svaksha Distillery Limited was initially assigned a provisional rating which was disseminated via press release dated Sept 08, 2021. The company has informed that their loan proposal is under process with the bank and requested for the extension of provisional rating for next 3 months for finalising the banking facilities. Therefore, Infomerics provides an extension of 90 days to the company to complete all bank related formalities.

Detailed Rationale

The assigned rating takes into account the experienced promoters and key management personnel, strategic location advantage, comfort from corporate guarantee and comfortable project cost structure. However, these rating strengths continues to be constrained by project implementation risk, exposure to agro climatic risk and risk related to government regulations.

The ratings assigned to the proposed bank facilities of Svaksha Distillery Limited also takes into account corporate guarantee from BCL industries Limited. This corporate guarantee results in credit enhancement in the rating of the said instruments to **Long term- Provisional IVR A (CE)/Stable Outlook (Provisional IVR Single A (Credit enhancement) with Stable Outlook)** against the unsupported rating of **Long Term: IVR BB/ Stable Outlook (IVR Double B with Stable Outlook)**



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Key Rating Sensitivities:

Upward Factor:

- Completion of project on timely basis without any overruns leading to improvement in liquidity
- Significant and sustained improvement in operating performance leading to sustainable increase in profitability margins.

Downward factor:

- Delay in implementation of project and financial closure within 6 months from assignment of rating.
- Lower-than-expected operating performance leading to a significant decline in margins

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and key managerial personnel

The director has vast business experience in varied sectors like beverage and construction industry. The senior management are efficiently running their existing distillery plant for the past 10 years in Punjab (BCL Industries Limited) and Infomerics believes the extensive experience of senior management will support Svaskha Distillery Limited in plant erection as well as it's operations and to establish healthy relationship between the customers and suppliers

Strategic Location Advantage:

The manufacturing unit is located at Mouza, Dist.-Paschim Medinipur, West Bengal which is on main road connecting NH-49(formerly NH-6) connecting Koklata- Mumbai is 3 kms from the site, is 10 kms away from Kharagpur Railway Station . The property is strategically located and is well connected to the other part of the city by road.

The company also enjoys the benefits of abundant quantity availability of raw material(i.e broken rice)as paddy in West Bengal available throughout the year. The presence in paddy



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growing area gives a competitive advantage in terms of easy availability of paddy, lower freight, and favourable pricing terms.

Comfort from corporate guarantee:

As per board of director of BCL Industries Ltd meeting held on 10th Aug 2021, the resolution was passed to provide corporate guarantee to Svaska Distillery Limited for Rs 70 crore from Punjab National Bank comprising of term loan and working capital limit's. As per FY21(A) of Svaska Distillery Limited, BCL Industries has extended support of Rs 43.95 crore as unsecured loan. BCL Industries limited has 73.05% of share holding of SDL, which is to be increased to 75%. The total operating income of the guarantor stood at Rs. 1427.23 Cr. along with the PAT of Rs. 45.24 Cr. in FY21.

Comfortable project cost structure:

As on Aug 4, 2021, the total cost incurred is Rs 90.20 crore which is met through Unsecured loan from holding and group companies of Rs 73.78 crore, equity share capital along with share premium of Rs 11.74 crore, preference share capital of Rs 3 crore and loan from bank for purchase of office premises and vehicle loan of Rs 1 crore and retention & Interest Payable of Rs 0.68 crore

Key Rating Weaknesses

Project implementation risk:

Currently the project is in nascent stage. The company was incorporated in June 2014. As of Aug 2021, the Company has purchased the land, order for machinery has been placed and will be received in Jan 2022. Considering the pending activities, it is estimated that commercial production of the project would commence from July 2022. However, any delay in obtaining all necessary / statutory approvals, completion of civil works and installation of all critical plant and machineries will lead to time and cost overrun and impact the implementation schedule.



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Exposure to agro-climatic risk

SDL is primarily engaged in grain based distillery, where major raw material is broken rice. Further, availability of rice is dependent on paddy, price of paddy is highly volatile and influenced by climatic conditions. SDL is susceptible to any shortage or price fluctuation during unfavorable climatic conditions and hence the raw material needs to be adequately stocked for the processing during non-season period. Moreover, changes in the Government regulations pertaining to the rice industry can impact the industry dynamics.

Exposure to risk related to government regulations

The liquor industry in India is governed by strict government regulations and license regime that differ from state to state. Each India's states 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. This makes its operating profitability susceptible to any policy measure announced by the Government.

Analytical Approach: Credit Enhancement (CE) rating: Assessment of the credit profile of BCL Industries Limited, provider of corporate guarantee to the bank facilities aggregating to Rs. 70.00 crore of Svaksha Distillery Limited.

Unsupported rating: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Rating Methodology for Structure Debt Transactions (Non Securitisation transaction)

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity - Adequate

The company is projected to achieve the COD by July 2022. After attaining the COD in FY23, the projected gross cash accruals of the company will be at Rs. 9.74 Cr., Rs. 36.11 Cr and Rs. 46.21 Cr. in FY23, FY24 and FY25, respectively, as against the debt repayments obligations amounting to Rs. 8 Cr., Rs. 13.60 Cr. and Rs. 13.60 Cr. for FY23, FY24 and FY25, respectively. With projected interest coverage ratio will be at 1.97x for FY23, which is further



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expected to improve to 8.49x by FY26, the company's interest servicing capability is also considered comfortable. The current ratio is also projected to be moderate at 1.56x in FY24.

About the Entity

Svaksha Distillery Limited (SDL) was incorporated on 12th June, 2014 under Companies Act 2013. SDL is in process of set up a grain based distillery plant at Kharagpur, West Bengal for production of 200KLPD of ENA along with the by product of the process. Directors of SDL are Mr. Pankaj Kumar Jhunjhunwala, Mr. Kushal Mittal and Mrs. Swati Jhunjhunwala.

BCL Industries is listed at Bombay Stock Exchange in Jan 1993. The company is engaged in such as extraction & refining of edible oils, processing of rice, distillation and real estate development.

Svaskha Distillery Limited is a subsidiary of BCL Industries. BCL Industries has extended support in the form of corporate guarantee and unsecured loan of Rs 43.95 crore. BCL Industries limited has 73.05% of shareholding of SDL, which is to be increased to 75%

Financials (Standalone): N.A as Expected C.O.D of manufacturing plant is July 2022

Financials of Corporate Guarantor: BCL Industries Limited.

For the year ended*/As on	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	913.39	1427.23
EBITDA	56.96	82.60
PAT	26.00	45.24
Total Debt	172.89	178.04
Tangible Net worth	217.92	290.23
Adjusted Net Worth	184.31	232.75
EBITDA Margin (%)	6.24	5.79
PAT Margin (%)	2.82	3.16
Overall Gearing Ratio (x)	0.94	0.76

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long term Fund Based Facility – Proposed Term Loan	Long Term	55.00	Provisional IVR A (CE)/Stable Outlook (Provisional IVR Single A (CE) with Stable Outlook)	-	-	-
2.	Long term Fund Based Facility-Proposed Cash Credit	Long Term	15.00	Provisional IVR A (CE)/Stable Outlook (Provisional IVR Single A (CE) with Stable Outlook)	-	-	-

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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
Long term Fund Based Facility- Proposed Term Loan	-	-	-	55.00	Provisional IVR A (CE)/Stable Outlook (Provisional IVR Single A (CE) with Stable Outlook)
Long term Fund Based Facility- Proposed Cash Credit	-	-	-	15.00	Provisional IVR A (CE)/Stable Outlook (Provisional IVR Single A (CE) with Stable Outlook)

Annexure 2: List of companies considered for consolidated analysis: N.A. Standalone Approach followed

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Svaksha-Distillery-lenders-dec21.pdf>

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



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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.