

Alpine Distilleries Private Limited

June 20, 2019

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long-Term Debt- Term Loan	70.65	IVR BB/Stable Outlook (Rating downgraded to IVR BB/Stable from IVR BBB- /Stable)	Downgraded
Long Term Fund based facilities- Cash Credit	27.35 (including proposed limits of Rs.4.98 crores)	IVR BB/Stable Outlook (Rating downgraded to IVR BB/Stable from IVR BBB- /Stable)	Downgraded
Long Term Fund based facilities- Bank Guarantee	0.95	IVR A4 (Rating downgraded to IVR A4 from IVR A3)	Downgraded
Total	98.95		

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the ratings assigned to the bank facilities of Alpine Distilleries Private Limited (ADPL) takes into account delay in project execution leading to cost and time overrun which has led to weakening in the liquidity affecting the financial risk profile of the company. However, the rating assigned to the bank facilities of ADPL continues to derive comfort from its experienced promoters, relationship with large IMFL players, introduction of West Bengal State Beverages Corporation (BEVCO), backward integration to manufacture Extra Neutral Alcohol (ENA) and installation of captive power plants which will improve margins. However, the rating continues to remain constrained by its presence in highly regulated Indian alcohol industry and volatility in input prices. Successful and timely completion of the ongoing projects, government regulations and capital structure are the key rating sensitivities.

List of Key Rating Drivers with detailed description

Key Rating Strengths

Experienced Promoters

The promoter of ADPL is experienced in the alcohol business. Mr. Malhotra is the owner of Brew Force Machines Pvt. Ltd. which has been in the business of building brewery and distillery plants from the year 2000. Mr. Debraj had set up a brewery in a joint venture with Carlsberg group in 2005 and successfully came out of it, by selling the entire stake to the Carlsberg group to set up ADPL.



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Relationships with large IMFL players

ADPL has established a greenfield state-of-the art IMFL manufacturing plant in April 2012 and commenced manufacturing of reputed brands like Officer's Choice Whisky, Office's Choice Blue Whisky owned by Allied Blenders & Distillers and Old Monk Rum owned by Mohan Meakin.

Introduction of West Bengal State Beverages Corporation (BEVCO)

In FY 17, the BEVCO was formed to regulate the alcoholic beverage segment of the state. After setting up of BEVCO, the distribution channel of the IMFL and country liquor was completely changed. Though the company faced initial hurdles, but after the setting up of BEVCO, ADPL is confined to a single debtor, witnessing ease in collection of the receivables.

Backward integration to manufacture Extra Neutral Alcohol (ENA) and installation of Captive Power plants will improve margins

The company has commenced setting up a 60 KLPD Distillery Plant to produce ENA along with a 3 MW Co-generation Power Plant. The ENA manufactured will be consumed within the company as well as sold in the open market as there is high demand of ENA in the state of West Bengal.

Key Weaknesses

Delay in ongoing project resulting in stretched liquidity

The company had commenced setting up a 60 KLPD Distillery Plant to produce Extra Neutral Alcohol (ENA) along with a 3 MW Co-generation Power Plant. The project was initiated in the year 2015 when it got its licence to make the ENA plant. The project cost was estimated at Rs.92.26 crore, which was proposed to be funded at a debt equity ratio of 1.48:1. The proposed COD of the project was set for February-19. However, the project witnessed a cost and time overrun and expected to commence operation from October,19 with revised envisaged project cost of ~Rs.110.00 crore approximately. Unexpected cost and time overrun has led to stretched liquidity for the company. Poor liquidity condition is expected to result in deterioration in the debt protection parameters.

Highly regulated nature of the Indian alcobev industry and volatility in input prices

Very few large players dominate the organised alcohol industry. The industry dynamics is also made complex by high taxation and heavy regulation. Moreover, the complexity of the industry further lies in the different types of distribution models followed in various states like government-controlled agencies, private distribution system and auction.

ADPL uses ENA as a raw material for its production. The price of ENA may vary as major raw material for ENA is grains and the same may vary depending on the production, since grains are seasonal products being susceptible to vagaries of nature.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

ADPL is currently facing stretched liquidity situation, due to delay in the ongoing project leading to cost and time overrun. This would lead to stretched debt protection parameters.

About the Company

Alpine Distilleries Pvt. Ltd. (ADPL) was incorporated on November 22, 2002, under the name of Agnes Exim Pvt Ltd., by Mr. Debasis Mukherjee and Mr. Debraj Mukherjee (Son of Mr. Debasis Mukherjee). . Currently, IMFL division has one automatic bottling line and three semi-automatic bottling Line with aggregate production capacity of around 1.75 lac cases per month. Also the company established country spirit manufacturing plant in September, 2014, with a capacity of 1.35 lac cases per month and manufacturing several brands like Challenge No. – 1, Udday Premium, and Alpine’s Orange Mix which are well accepted in the market since its production.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	136.74	150.71
EBITDA	11.40	12.13
PAT	4.07	4.87
Total Debt	20.58	42.12
Tangible Net worth	37.94	57.16
EBITDA Margin (%)	8.34	8.05
PAT Margin (%)	2.97	3.23
Overall Gearing Ratio (x)	0.54	0.74

*Classification as per Infomerics’ standards.

Status of non-cooperation with previous CRA: Not Available

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits – Cash Credit (including proposed limit of Rs.4.98 crore)	Long Term	27.35	IVR BB/Stable	IVR BBB-/Stable as on January 11, 2019	-	-
2.	Long Term Fund Based Limits – Term Loan	Long Term	70.65	IVR BB/Stable	IVR BBB-/Stable as on January 11, 2019	-	-
3.	Short Term Non Fund Based Limits –Bank Guarantee	Short Term	0.95	IVR A4	IVR A3 as on January 11, 2019	-	-

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.

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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. 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
Cash Credit (including proposed limit of Rs.4.98 crore)	-	-	-	27.35	IVR BB/Stable
Term Loan	Dec-2017	12.50%	Mar-2028	70.65	IVR BB/Stable
Bank Guarantee	-	-	-	0.95	IVR A4