



## Press Release

### AB Grain Spirits Private Limited

**September 04, 2024**

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	80.50	IVR BB+/Negative (IVR Double B Plus with Negative Outlook)	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Reaffirmed and outlook revised to Negative	<a href="#">Simple</a>
Long Term Bank Facilities	9.50	IVR BB+/Negative (IVR Double B Plus with Negative Outlook)	-	Assigned	<a href="#">Simple</a>
Short Term Bank Facilities	10.00	IVR A4+ (IVR A Four Plus)	IVR A4+ (IVR A Four Plus)	Reaffirmed	<a href="#">Simple</a>
<b>Total</b>	<b>100.00</b>	<b>(Rupees one hundred crore only)</b>			

**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

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities for the long-term facilities to IVR BB+ with negative outlook which has been revised from stable outlook and IVR A4+ to the short-term facilities of AB Grain Spirits Private Limited (ABG). Infomerics Ratings has also assigned the ratings of IVR BB+ with negative outlook for the long term enhance facilities of ABG.

The rating continues to draw comfort from extensive experience of promoters and professional management along with locational advantage. The ratings further draw support from a moderate financial risk profile. However, these rating strengths are partially offset by decline in scale of operations and profitability along with high level of debtors coupled with volatility in input prices coupled with vulnerability to regulatory changes in the liquor industry.

The outlook has been revised to 'Negative' on account of high receivables more than 3 years and project implementation risk. IVR believes the company will continue to benefit from its operational track record in the business resulting in increased scale of operations.

Infomerics Ratings has principally relied on the standalone audited financial results of ABG up to 31 March 2023 (refers to period April 1st, 2022, to March 31st, 2023), provisional FY24 results (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to 2 March 31st, 2025) - FY2027 (refers to period



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April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Sustained and significant improvement in profitability, specific credit metric will be operating profitability above 6% on sustained basis.
- Sustained improvement in debt protection metrics.

#### **Downward Factors**

- Any decline in scale of operations and/or profitability, leading to significant deterioration of debt protection metrics.
- Specific credit metric for rating downgrade will be operating margins remaining below 4% on sustained basis

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

- **Extensive experience of promoters and professional management**

Mrs. Jasdeep Kaur Chadha is a qualified graduate and holds an experience of more than 12 years in the same line of business. Mr. G S Bindra, director, graduate by qualification, hold an experience of more than three decades. Mr. Munish Kumar Tyagi is a postgraduate (Chemical Engineering) by qualification, holds an experience of more than three decades. They are well supported by team of experienced professionals in the 2nd tier management which helps in smooth and easy functioning of the business.

- **Locational advantage**

The company manufactures and packages distributes Extra Neutral Alcohol (ENA), Rectified Spirit (RS), Indian Made Foreign Liquor (IMFL) and Punjab Medium Liquor (PML) in Punjab and nearby states which are one of the biggest consumers of liquor in Northern Region. The company has a grain-based distillery in Gurdaspur (Punjab) which provides locational advantage in terms of availability of raw material (Broken Rice) in Punjab and neighbouring states (Haryana & Delhi).

- **Moderate financial risk profile**



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The capital structure of the company stood moderate marked by the overall gearing at 1.38x as on March 31, 2024, compared to 0.93x as on March 31, 2023 mainly on account of increase in long term debt which is infused by promoters. Total indebtedness of the company as reflected by TOL/TNW stood at 2.50x as on March 31, 2024, compared 2.20x as on March 31, 2023, mainly on account of increase in unsecured loan. The debt protection metrics of the company stood moderate marked by interest coverage stood at 2.30 during FY24 compared to 2.83x during FY23. Total debt to GCA stood high at 11.81x as on March 31, 2024, compared to 5.18x as on March 31, 2023, on account of decline in profitability. The DSCR stood at 1.88x for FY24 compared to 2.21x for FY23.

### A. Key Rating Weaknesses

- **Decline in scale of operations along with profitability**

The total operating income of the company has grown at (CAGR) of 6.86% during the past three years ended as on March 31, 2024, further on year-on-year basis the total operating income has declined by 19.17% and stood at Rs. 487.52 crore as per the FY24(Provisional) compared to Rs. 603.16 crore in FY23(A) on account of decline in revenue from distillery and transport business. The company has discontinued its transport operations in April 2023, as the contract of the same completed. The gross cash accruals of the company declined from Rs. 21.92 crore in FY23 to Rs. 15.10 crore in FY24 on account of decline in revenue and profitability. With decline in scale of operations, the EBITDA margin of the company has also decline by 67 bps and stood at 4.99% in FY24 compared to 5.65% in FY23. Subsequently the PAT margin of the company has also declined by 31 bps and stood thin at 1.54% in FY24 compared to 1.85% in FY23.

- **Volatility in input prices coupled with Vulnerability to regulatory changes in the liquor industry**

The price of ENA may vary as major raw material for ENA is grains (Broken rice) and the same may vary depending on the production, since grains are seasonal products being susceptible to vagaries of nature. 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.



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- **High level of long pending debtors along with project implementation risk**

The debtors of the company as on March 31, 2024, stood at Rs. 113.20 crore, out of this, debtors above 6 months stood at Rs. 91.00 crore. Debtors more than 3 years remains high at Rs. 73.98 crore as on March 31, 2024, provisional results. However, the company expects to recover this amount in full. The company has undertaken 2 projects with a total cost of 140.00 crore. Project one is to expand the manufacturing capacity of Brewery plant from 0.5 million to 1.0 million with other required utilities and under project 2, the company is setting up a DDGS plant for spent grain processing to get maximum revenue available on sale and addition of ethanol manufacturing facility in existing distillery plant.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies.](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

**Liquidity – Adequate**

The liquidity position of the company is adequate, marked by its sufficient cash accruals as against its repayment obligations. The Company's average fund based working capital limit utilization stood moderate at 88.81% for the last 12 months ended June 2024 indicate moderate buffer in its working capital limits. Further, the company had free cash and cash equivalents to the tune of Rs.5.97 crore as on March 31, 2024, which is expected to support the liquidity profile of the company in the near to medium term. The current ratio of the company stood moderate at 1.45x as on March 31, 2024. Further, the company expects sufficient cushion in cash accruals against its debt repayments. The company is expecting GCA in the range of Rs. 50.29Cr. - Rs. 65.93 Cr. during FY25-27 against debt repayment of Rs. 52.97 Cr.- 20.72 Cr. in FY25-27. The Working Capital Cycle of the company stood at 55 days in FY24 days which was 41 days in FY23.



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### **About the Company**

AB Grain Spirits Pvt Ltd (ABGSPL), was incorporated in Jan 2005. ABGSPL manufactures, packages and distributes Extra Neutral Alcohol (ENA), Rectified Spirit (RS), Indian Made Foreign Liquor (IMFL) and Punjab Medium Liquor (PML). The company is a part of the Late Mr. Hardeep Chadha Group. The company manufactures under its brand Patiala Peg & Master Moments and also some local country liquor. The company manufactures quality spirit, which it supplies across Africa, the Mediterranean and Indian subcontinents. In India, USL – Diageo, Pernod Ricard, Allied Blenders & Distillers are some of their many valued customers. Further, on January 23, 2023, Adie Browson Breweries Private Limited (a promoter group company) was merged with AB Grains Spirits Private Limited which was effective from February 01, 2021.

### **Financials (Standalone):**

**(Rs. crore)**

<b>For the year ended/ As on*</b>	<b>31-03-2023</b>	<b>31-03-2024</b>
	<b>Audited</b>	<b>Provisional</b>
Total Operating Income	603.16	487.52
EBITDA	34.10	24.32
PAT	11.25	7.56
Total Debt	113.60	178.28
Tangible Net Worth	121.93	129.33
EBITDA Margin (%)	5.65	4.99
PAT Margin (%)	1.85	1.54
Overall Gearing Ratio (x)	0.93	1.38
Interest Coverage (x)	2.83	2.30

*\* Classification as per Infomerics' standards.*

**Status of non-cooperation with previous CRA:** Vide press release dated August 29, 2023, Brickwork Ratings India Private Limited have kept the ratings under non-cooperation category on account of non-submission of relevant information.

**Any other information:** Not applicable

**Rating History for last three years:**





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Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	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 2021-22
					July 05, 2023	-	-
1.	Fund Based Limits	Long Term	90.00	IVR BB+/ Negative	IVR BB+/ Stable	-	-
2.	Non-Fund Based	Short Term	10.00	IVR A4+	IVR A4+	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### 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
Long Term Facility – Cash Credit	-	-	-	-	64.00	IVR BB+/Negative
Long Term Facility – Proposed	-	-	-	-	26.00	IVR BB+/Negative
Short Term Facility – Bank Guarantee	-	-	-	-	10.00	IVR A4+

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-ABGrain-sep24.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](http://www.infomerics.com).