



Press Release

AB Grain and Spirits Private Limited

July 05, 2023

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	62.50	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	28.00	IVR A4+ (IVR A Four Plus)	Assigned	Simple
Total	90.50	(Rupees Ninety Crore and fifty lakh Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of AB Grain and Spirits Private Limited (ABGSPL) draws comfort from its extensive experience of promoters and professional management, growing scale of operations with moderate profitability, comfortable capital structure and moderate debt protection metrics along with locational advantage. However, these rating strengths are partially offset by volatility in input prices, competition from unorganised players, vulnerability to regulatory changes in the liquor industry, high exposure to group/ related entity and high level of long pending debtors.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income and improvement in profitability
- Sustenance of the capital structure and improvement in debt protection metrics
- Significant reduction in exposure to group/related entities

Downward Factors

- Moderation in operating income and/or cash accrual or deterioration in operating margin, any stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure affecting the financial risk profile, particularly liquidity.



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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 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.

Growing scale of operations with moderate profitability

The company has reported a Total Operating Income of Rs. 469.81 crore in FY22 against Rs. 399.50 crore in FY21, grew by 17.60% on account of increase in sales volume of distillery products. Despite increase in scale of operations, the EBITDA in absolute terms declined to Rs 48.38 crore in FY22 as against Rs. 51.36 crore in FY21 and EBITDA margin declined to 10.30% in FY22 against 12.86% in FY21 mainly because of increase in power and fuel expenses. However, the PAT of the company has improved from Rs 16.40 crore in FY21 to Rs 18.30 crore in FY22. With decline in EBITDA margin, the PAT margin has also declined marginally by 21 bps from 4.06% in FY21 to 3.85% in FY22. The GCA was Rs 29.41 crore in FY22 against Rs 33.82 crore in FY21. Further, the company has reported total operating income of Rs.525.31 crore in 11MFY23.

Comfortable capital structure

The company's TNW stood at Rs 142.27 crore as on March 31, 2022 improved from Rs.124.03 crore as on March 31, 2021 due to accretion of profits to reserves. The overall gearing of the company stood comfortable at 0.41x as on March 31, 2022 improved from 0.70x as on March 31, 2021 mainly due to decline in debt and accretion of profits to reserve and TOL/TNW stood at 1.16x as on March 31, 2022 improved from 1.77x as on March 31, 2021 mainly due to decline in creditors.

Moderate debt protection metrics



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The debt protection metrics of the company stood moderate with ICR of 5.85x in FY22 improved from 4.68x in FY21. The total debt to GCA stood at 1.98x as on March 31,2022 improved from 2.57x as on March 31,2021 due to decline in debt.

Locational advantage

The company manufactures and packages and also 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).

Key Rating Weaknesses

Volatility in input prices

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. Further, the company's profitability is also susceptible to fluctuation in fuel prices in case of transport segment.

Competition from unorganised players

Alcohol industry is susceptible to low entry barriers and adulteration is common in the small set-ups of country liquor. Hence that poses a threat as those are cheaper options.

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.

High exposure to group/related entities



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AB Grains Spirits Private Limited has made investment of Rs. 55.28 Crore and has extended loans & Advances of Rs. 94.94 Crore as on March 31, 2022 to its group and associated companies. The amount of total exposure as on March 31, 2022 is Rs. 150.22 Crore as against the amount of tangible net worth of Rs. 142.27 Crore as on March 31, 2022, thus, indicating high group exposure.

High level of long pending debtors

The debtors of the company as on March 31, 2022 stood at Rs. 62.55 crore, out of this, debtors above 6 months stood at Rs. 34.62 crore. Delhi Integrated Multi Modal Transit System Ltd (DIMTS) is one of debtors with dues amounting to Rs. 27.50 crore which is pending for more than 3 years. However, the company expects to recover this amount in full.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity – Adequate

The liquidity of the company is Adequate as it expects sufficient cushion in its cash accruals vis-à-vis debt repayments. The company has an unencumbered cash & bank balances of Rs. 6.44 crore as on March 31, 2022. The average working capital limit utilization was ~63.73% during the 12 months period ended April 2023. The Current and quick ratio of the company stood at 1.33x and 1.18x respectively as on March 31, 2022. The operating cycle elongated to 25 days in FY22 against 7 days in FY21 due to decline in creditor period.

About the Company

AB Grain Spirits Pvt Ltd (ABGSPL), was incorporated in January, 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



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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. The company is also operating Private Stage Carriage Services in Delhi/ NCR for the Government of National Capital Territory of Delhi (GNCTD). The company also has a 5.5 MW rice husk-based power generation plant.

Financials (Standalone):

For the year ended* / as on	(Rs. Crore)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	399.50	469.81
EBITDA	51.36	48.38
PAT	16.40	18.30
Total Debt	86.86	58.20
Tangible Net Worth	124.03	142.27
Ratios		
EBITDA Margin (%)	12.86	10.30
PAT Margin (%)	4.06	3.85
Overall Gearing Ratio (x)	0.70	0.41

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding. (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Fund Based Facilities	Long Term	62.50	IVR BB+/ Stable	--	--	--
2.	Short Term Fund Based Facilities	Short Term	28.00	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).

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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	-	-	-	62.50	IVR BB+/ Stable
Bank Guarantee	-	-	-	28.00	IVR A4+

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-abgrain-jul23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.