



Press Release

AB Grain Spirits Private Limited

February 24, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	64.00	IVR BBB-/Stable [IVR Triple B Minus with stable Outlook]	IVR BB+/Negative [IVR Double B Plus with negative outlook]	Rating upgraded and outlook revised	Simple
Short Term Bank Facilities	36.00	IVR A3 [IVR A Three]	IVR A4+ [IVR A Four Plus]	Rating upgraded	
Total	100.00	[Rupees one hundred crore only]			

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 upgraded its rating assigned to the bank facilities for the long-term facilities to IVR BBB- and revised the outlook from negative to stable and A3 for the short-term facilities of AB Grain Spirits Private Limited (ABSPL)

The rating upgrade is on account improvement in financial risk profile of the company along with completion of project undertaken. The ratings continue to draw comfort from extensive experience of promoters and professional management along with locational advantage. The company also drew support from moderate financial risk profile. However, these rating strengths are partially offset by decline in scale of operations along with profitability and volatility in input prices coupled with vulnerability to regulatory changes in the liquor industry.

The 'Stable' outlook reflects expected increase in scale of operations along with profitability. Infomerics 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 ABSPL up to 31 March 2024 (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 April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the society's management.

Key Rating Sensitivities:

Upward Factors



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- Sustained and significant improvement in profitability, specific credit metric will be operating profitability above 7% 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 a decade 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), Beer 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, although improved significantly marked by the overall gearing at 1.10x as on March 31, 2024, compared to 8.08x as on March 31, 2023, mainly on account of schedule repayment of term liabilities and also unsecured loans tune to Rs. 54.91 crore as considered subordinated to bank borrowings as on March 31, 2024. Total indebtedness of the company as reflected by TOL/TNW improved and stood at 2.39x as on March 31, 2024, compared 19.10x as on March 31, 2023, mainly on account of improvement in TNW. 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 8.17x 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.

- **Strong demand dynamics for ethanol and tie up with OMC's**

Ethanol is found to be cost effective dilutant in petrol and diesel without loss of energy. With heavy dependence of India on imported crude the Government of India has taken various policy initiatives to incentivise blending ethanol with fuels to 20% by 2030. Going forward this will be positive for augmenting the demand for the company's products. The company has entered into agreement with multiple OMC like IOCL, HPCL and BPCL.

B. 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 compared to Rs. 603.16 crore in FY23 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. With decline in scale of operations, the EBIDTA margin of the company has also decline



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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.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

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

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 89.74% for the last 12 months ended November 2024 indicate adequate buffer in its working capital limits. Further, the company had free cash and cash equivalents to the tune of Rs.4.09 crore as on November 20, 2024, which is expected to support the liquidity profile of the company in the near to medium term. The current ratio of



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the company stood moderate at 1.29x 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. 21.90 Cr. - Rs. 37.87 Cr. during FY25-27 against debt repayment of Rs. 1.70Cr.- 0.71 Cr. in FY25-27. The Working Capital Cycle of the company stood at 46 days in FY24 days which was 41 days in FY23.

About the Society

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)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	603.16	487.52
EBITDA	34.10	24.32
PAT	11.25	7.56
Total Debt	113.59	123.37
Tangible Net Worth	14.06	112.48
EBITDA Margin (%)	5.65	4.99
PAT Margin (%)	1.85	1.54
Overall Gearing Ratio (x)	8.08	1.10
Interest Coverage (x)	2.83	2.30

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Vide press release dated September 04, 2024, 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



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Rating History for last three years:

Sr . N o.	Name of Security/Faci lities	Current Ratings (Year 2024-2025)			Rating	Rating History for the past 3 years		
		Type (Long Term/Sh ort Term)	Amount outstand ing (Rs. Crore)	Rati ng		Date(s) & Rating (s) assign ed in 2023- 24	Date(s) & Rating (s) assign ed in 2022- 23	Date(s) & Rating (s) assign ed in 2021- 22
					Septem ber 04, 2024	July 05, 2023	-	-
1.	Fund Based Limits	Long Term	64.00	IVR BBB- / Stabl e	IVR BB+/ Negativ e	IVR BB+/ Stable	-	-
2.	Non-Fund Based	Short Term	36.00	IVR A3	IVR A4+	IVR A4+	-	-

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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.



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

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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 BBB-/Stable
Short Term Facility – Proposed	-	-	-	-	31.00	IVR BBB-/Stable
Short Term Facility – Bank Guarantee	-	-	-	-	5.00	IVR A3

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-abgrain-feb25.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.