



RATING RATIONALE

11 Nov 2019

AB Grain Spirits Pvt. Ltd.

Brickwork Ratings reaffirms the ratings for the Bank Loan Facility of ₹ 131.79 of AB Grain Spirits Pvt. Ltd.

Particulars :

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Sep, 2019)	Present
Fund based	203.00	103.79	Long Term	BWR BB+ (Stable) ISSUER NOT COOPERATING	BWR BB+ (Stable) Reaffirmed
Non Fund based	28.00	28.00	Short Term	BWR A4+ ISSUER NOT COOPERATING	BWR A4+ Reaffirmed
Total	231.00	131.79	INR One Hundred Thirty One Crores and Seventy Nine Lakh Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities in Annexure-I

RATING ACTION / OUTLOOK

Brickwork rating reaffirms the rating at BWR BB+ for long term with Stable Outlook and short term rating at BWR A4+.

The rating continues to draw strength from the experienced promoters, besides modest ISCR, comfortable Receivables and inventory holding period and improved leverage position in FY19.



The outlook is Stable as the company has been able to maintain its scale of operations and achieved a turnover of Rs 196.36 Cr till Aug,2019.

KEY RATING DRIVERS

BWR principally relied upon audited financials upto FY19, projections upto FY21, publicly available information and information/clarification provided by the management.

Credit Strengths :

- **Experienced Promoters** : The promoters of the company has more than a decade of experience in the same line of business activity.
- **Modest ISCR** : The company's ability to pay its interest from its operating income indicated by modest ISCR of 1.98X in FY19.
- **Receivables and inventory period** : The company has efficient receivable days of 51 days and inventory holding period of 50 days only in FY19.
- **Improved Gearing** : Gearing(Total Debt/TNW) of the company has improved from 2.72X in FY18 to 2.41X in FY19 due to decreased total debt owing to repayment of term loans.

Credit Concerns :

- **Profit margins** : Net Profit margin of the company has declined from 0.97% in FY18 to 0.03% in FY19 however operating profit margins have been maintained at 7.63% in FY19.
- **Current Ratio** : The company has weak ability to meets its current liabilities from its current assets with current ratio of 0.90X due to high CPLTD in FY19.
- **Intragroup Transaction** : Intragroup transactions may have a negative impact on the liquidity, gearing and expected return of funds in the scenario of non performance of one of the group entity. The entity has given a total sum of Rs 66.33 Cr by way of loans and advances to the group companies.
- **Uncertain Regulatory environment** : Distillery business has inherent risk of factors like social and government interference, bans, politics, etc. on consumption of alcohol.



ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the company's ability to improve the revenue growth, improve current ratio and profit margins would be key sensitivities over short to medium term.

Positive: The rating outlook may be revised to positive and the rating may be upgraded if the company is able to improve the revenue, profit margins.

Negative: The rating may be downgraded if the company achieve lower revenue than projected financials.

LIQUIDITY POSITION (adequate)

Company has cash accruals(PAT+Dep) of Rs 20.59 Cr in FY19 against CPLTD of Rs 19.85 Cr which need to repaid off in FY20. It has cash & Cash equivalent is Rs 11.11 Cr in FY19

COMPANY PROFILE

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. Company is also operating Private Stage Carriage Services in Delhi/ NCR for the Government of National Capital Territory of Delhi (GNCTD).



KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Total Operating Income	Crs	427.62	404.58
OPBDIT	Crs	32.81	30.87
PAT	Crs	4.15	0.11
Tangible Net Worth	Crs	53.35	53.44
Total Debt/TNW	Times	2.72	2.41
Current Ratio	Times	0.88	0.90

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY: NA

RATING HISTORY

Instrument / Facilities	Current Rating (2019)			Rating History				
	Tenure	Amount (₹ Cr)	Rating	Sep,2019	May, 2019	Feb, 2018	Feb, 2017	2016
Fund based	Long Term	103.79	BWR BB+ (Stable) Reaffirmation	BWR BB+ (Stable) Issuer Not Cooperating	Rating Not Reviewed	BWR BB+ (Stable)	BWR BB (Stable)	NA
Non Fund based	Short Term	28.00	BWR A4+ Reaffirmation	BWR A4+ Issuer Not Cooperating		BWR A4+	BWR A4+	
Total		131.79	INR One Hundred Thirty One Crores and Seventy Nine Lakh Only					



COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Services Sector](#)
- [Short Term Debt](#)

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AB Grain Spirits Pvt. Ltd.

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	OBC Bank	Working Capital(CC)	48.50	-	48.50
		Term Loan BG	23.65	-	23.65
	Punjab & Sind Bank	Working Capital(CC)	14.00	13.00	13.00



2.		Term Loan BG	11.48 -	- 15.00	11.48 15.00
3.	Tata Motor Finance	Vehicle Finance Loan	6.16	-	6.16
TOTAL					131.79

Total INR One Hundred Thirty One Crores and Seventy Nine Lakh Only

For print and digital media

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