



Rating Rationale

A M Breweries Private Limited

4 December 2017

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs.118.96Cr of A M Breweries Private Limited (AMBPL)

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating *
<u>Fund Based</u> Cash Credit Term Loan 1 (Existing) Term Loan 2(Existing)	70.00 18.95 15.01	Long Term	BWR BB+ (Pronounced Double BWR Double B Plus) Outlook: Stable
<u>Non-Fund Based</u> Letter of Credit ILC/FLC	8.50 6.50	Short Term	BWR A4+ (Pronounced BWR A Four Plus)
Total	Rs.118.96 Crores (Rupees One Hundred and Eighteen Crores and Ninety Six Lakhs only)		

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has considered the consolidated balance sheet of the two entities in the group – A M Breweries Private Limited (AMBPL) and Elite Distilleries Private Limited (EDPL)

BWR has principally relied upon the audited financials in of FY16, provisional financials of FY17, sales achieved from April'17 to October'17 and projected financials up to FY19 and publicly available information and information/clarifications provided by the company.

The rating has factored inter-alia, the vast experience of promoters in various businesses and established position of group companies, satisfactory track record of operations of the company as one of the leading players in IMFL market of Tamil Nadu, diversified product range and tie up with premium liquor & brandy segments, association with Carlsberg for license & contract manufacturing of their products, funding support from promoter and from group companies, consistent growth in income, moderate financial risk profile supported by comfortable debt protection metrics. The ratings are, however,

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constrained by challenges of operating in a highly regulated environment, price risk as TASMAL is the only customer and controls on production, distribution, pricing and advertising, low net cash accruals, stretched liquidity position, volatility in raw material prices and significant competition from IMFL segment in Tamilnadu.

Going ahead, the ability of the company to improve its scale of operations with expanding geographical presence, approval from TASMAL for its merged entity, maintain its market position, profitability and the regulatory environment surrounding the industry would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the 'A M Breweries Private Limited's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

A M Breweries Private Limited was incorporated on November 26, 2010 engaged in manufacturing of beer with installed capacity of 300 HL with ultra modern technology from Praj Industries and most modernized and automated bottling unit. The manufacturing unit located at Kancheerapuram, Chennai. The company is part of ACCORD GROUP, which is promoted by Mr.Jagathratchagan and his family members. In January 2013, AMBPL was amalgamated with Elite Distilleries Pvt.Ltd. and its approved vide court order on October 2015, However the sales invoicing are still being in done in the name of individual companies, as the merger is yet to get effected by the State Excise Department, Government of Tamilnadu.

Key rating determinants:

Strengths:

Experience of promoters in various business and established position of group companies: AMBPL is part of Chennai-based Accord group established in 1984 promoted Dr.S.Jagathrakshakan . He has been elected thrice to Lok Sabha since 1984 and was the minister of state for commerce and industry from November 2012 to March 2013.

They have diversified the group business into education, healthcare, hospitality, realty, information technology, liquor, Brewery, Pharmaceuticals, Power, etc. The hospitality business of the Group comprises of three five star Hotels (Accord) at Chennai, Pondicherry and Ooty. They have expanded their group activity into the medical field with 5 prestigious educational institutions in Tamil Nadu and Sri Lakshminarayana Institute of Medical Sciences and Hospital, Pondicherry.



Diversified revenue and healthy revenue growth and one of the leading players in Tamilnadu: AMBPL has two major revenue segments: beer and contract manufacturing -marketing for Carlsberg. The revenue of the company has improved to Rs.1990.62 crs as per provisional FY17 as compared to Rs.1556.20 crs in FY16. AMBPL continued to be one of the top three players in the IMFL market in Tamil Nadu.

Moderate financial risk profile : AMBPL 's financial risk profile is driven by low gearing of less than 1 time with strong networth position of Rs.276.38 crs (provisional fy17) and comfortable debt protection metrics with interest coverage.

Constraints:

Highly-regulated nature of the liquor industry of Tamilnadu in IMFL Market : The Indian alcohol industry is highly regulated at almost every stage in the value chain. The distribution and pricing of IMFL is controlled by State Government of Tamilnadu(through the Tamilnadu State Marketing Corporation).

Susceptible in profit margins due to volatile raw material prices : The pricing for the product is regulated and generally revised once in three years by Tamil Nadu State Marketing Corporation Limited (TASMAC), a Govt.of Tamilnadu entity which governs the production, distribution, retailing and pricing in the State. AMBPL is unable to revise the prices in view of increase in raw material cost.

Net cash accrual to total debt (NCATD): ratios of 0.59 times in FY17 as compared to 0.43 time in FY16 due to high amortization costs on account of the goodwill created on consolidation.

Key Financials:

Particulars	FY16 Audited	FY17 Provisional
Net Revenue (Rs.Crs)	482.95	614.14
EBITDA (Rs.Crs)	118.88	130.14
PAT (Rs.Crs)	9.94	32.69
Tangible Net Worth (Rs.Crs)	197.88	276.38
Total Debt/TNW (Times)	0.96	0.53
Current Ratio (Times)	0.72	0.71

Company Financial Performance

As per provisional financial of FY17, AMBPL has reported a profit after tax (PAT) of Rs.32.69 crs. on Net Sales of Rs.614.14 crs. as against profit after tax (PAT) of Rs.9.94 crs. on Net Sales



of Rs.482.95 crs for FY16. Operating profit margin of the company was 24.45% in FY16.They have achieved operating revenue of Rs.1000.15 crs (April'17 to October'17)

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	2016	2015	2014
1	Cash Credit	Long Term	70.00	BWR BB+ (Outlook: Stable)	NIL	NIL	NIL
2	Term-Loan 1(Existing)		18.95*				
3	Term-Loan-2 (Existing)		15.01*				
4	Letter of Credit		8.50	BWR A4+	NIL	NIL	NIL
5	ILC/FLC		6.50				
	Total		118.96	INR One Hundred and Eighteen Crores and Ninety Six Lakhs only			

* Term Loan 1 & 2 O/S as on 07.11.17

Hyperlink/Reference to Applicable Criteria

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



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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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