

ACCORD DISTILLERS & BREWERS PRIVATE LIMITED

Brickwork Ratings removes credit watch with developing implications for the Bank Loan Facilities of Rs.100.64 Crores of Accord Distillers & Brewers Pvt Ltd ('ADBPL' or the 'Company')

Particulars

Facility**	Amount (Rs Cr)		Tenure	Rating*	
	Previous (Rs. Crs)	Present (Rs. Crs)		Previous	Present
Fund Based					
Cash Credit	70.00	70.00	Long Term	BWR BBB- Credit Watch with Developing Implications	BWR BBB-/Negative Removal from Credit Watch
Term Loan	14.64	14.64			
Non Fund Based					
Letter of credit	16.00	16.00	Short Term	BWR A3 Credit Watch with Developing Implications	BWR A3 Removal from Credit Watch
Total	100.64	100.64	Rupees One Hundred Crores And Sixty Four Lakhs Only		

*Please refer to BWR website www.brickworkratings.com for definition of the ratings ; ** Details of Bank facilities are provided in Annexure I;

Rating Action

On July 13, 2020, BWR had placed the ratings on Credit Watch with Developing Implications following recent reports in the media about an investigation against Mr.Jagathrakshakan, Chairman of Accord Group of Companies carried out by The Enforcement Directorate. BWR had taken up with the management of the company to understand the nature and implications of the event on the company's business and financial risk profiles. The company clarified with BWR that Mr.Jagathrakshakan is neither a director nor shareholder in the company and hence the investigation shall not have any bearing on business or credit risk profile of the company. BWR also takes note of the Madras High Court Order dated August 14, 2020 which has stayed all further proceedings of the Enforcement Directorate. Hence considering that Mr.Jagathrakshakan is neither director nor shareholder of the company and also taking note of the order passed by Madras High Court on August 14, 2020 which has stayed all further



proceedings of the Enforcement Directorate, BWR has removed the credit watch with developing implications.

The ratings continue to factor the consistent operational and financial performance, experienced management, established track record and strong regional presence in Tamil Nadu. However, the ratings remain constrained by the substantial non income generating investments in group entities, susceptibility of profitability to volatility in input prices, presence in a highly regulated industry, customer and regional concentration of business, intense competition from other brands, inherent risks associated with the distillery industry and impact of COVID-19 on business operations.

Outlook, Key Rating Drivers, liquidity and Rating Sensitivities:

Please refer to our previous Rationale:

<https://www.brickworkratings.com/Admin/PressRelease/ Accord-Distillers-Brewers-29April2020.pdf>

Analytical Approach and Applicable Rating Criteria

BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale). The company does not have any subsidiaries.

About the Company

Accord Distillers & Brewers Private Limited (ADBPL) was incorporated in 2010 and is located at Mahalingapuram, Chennai, Tamil Nadu. ADBPL is engaged in the production and sale of alcoholic beverages. The company produces two types of liquor viz., Indian Made Foreign Liquor (IMFL) and beer. The Company sells its products to TASMAL (owned by the Government of Tamil Nadu). The company’s product mix (based on Revenue for FY19) was approximately 35% from sale of brandy, 25% from vodka, 20% from sale of rum and the remaining ~20% is from sale of beer. IMFL Unit manufactures ‘Indian Made Foreign Spirit’ near Kanchipuram, with a capacity to manufacture thirteen lakh cases per month. The utilization in FY19 and FY20 was ~77%. Brewery Unit is a 300 HL Automatic Brewery. The unit is currently capable of producing 1 Million Hectolitres per annum which translates to 1 million cases per month.

Mr J Sundeep Anand and Mrs J Srinisha are the directors of ADBPL.

Financial performance

Key Parameters	Units	2018	2019
Result Type		Audited	Audited
Revenue from Operations	Rs. Cr	624.94	859.10
EBIDTA	Rs. Cr	109.77	114.00

PAT	Rs. Cr	26.33	9.74
Tangible Net Worth	Rs. Cr	361.67	400.41
Tangible Net Worth (Analyzed)	Rs. Cr	134.34	105.06
Total Debt/Tangible Net Worth	Times	0.03	0.19
Total Debt/Tangible Net Worth (Analyzed)	Times	0.78	1.04
Current Ratio	Times	1.04	0.79

On a provisional basis, the company reported total operating income of ~Rs.869 Crores for 11MFY20.

Key Covenants of the facility rated: The terms of sanction include standard covenants normally stipulated for such facilities.

Status of non-cooperation with previous CRA - NA

Rating History for the last three years [including withdrawal and suspended]

Facility	Current Rating (September 2020)			Rating History			
	Type	Amount (Rs. Crs)	Rating	13 July 2020	29 Apr 2020	02 Apr 2019	2018
Fund Based							
Cash Credit	Long Term	70.00	BWR BBB-/Negative	BWR BBB-Credit watch with developing implications	BWR BBB-/Negative	BWR BBB-/Stable	-
Term Loan		14.64					
Non Fund Based							
Letter of credit	Short Term	16.00	BWR A3	BWR A3 Credit watch with developing implications	BWR A3	BWR A3	-
Total		100.64	Rupees One Hundred Crores And Sixty Four Lakhs Only				



Note: BWR had assigned BWR BB+/ Stable/A4+ to Bank Loan Ratings of Rs.118.96 cr on 04Dec2017

Complexity Levels of the Instruments:

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

Hyperlink/Reference to applicable Criteria

• <u>General Criteria</u>	• <u>Approach to Financial Ratios</u>
• <u>Manufacturing Companies</u>	• <u>Short Term Debt</u>
• <u>Policy for placing ratings on credit watch</u>	

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Accord Distillers & Brewers Private Limited
Annexure I
Details of Bank Facilities rated

SI No.	Name of the bank	Facility	Long Term (Rs Crs)	Short Term (Rs Crs)	Total (Rs Crs)
1	Punjab National Bank	Cash Credit	35.00	-	35.00
		Term Loan	6.51	-	6.51
		Letter of credit	-	7.50	7.50
2	State Bank of India	Cash Credit	35.00	-	35.00
		Term Loan	8.13	-	8.13
		Letter of credit	-	8.50	8.50
Total : Rupees One Hundred Crores And Sixty Four Lakhs Only					100.64

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