



## Rating Rationale

13 July 2020

### Accord Distillers & Brewers Private Limited

**Brickwork Ratings places the ratings of the Bank Loan Facilities of Rs.100.64 Crores of Accord Distillers & Brewers Pvt Ltd ('ADBPL' or the 'Company') on Credit Watch with Developing implications**

#### Particulars

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

\*Please refer to BWR website [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the ratings ; \*\* Details of Bank facilities are provided in Annexure I;

#### Rating Action

The rating action follows recent reports in the media about an investigation to Mr.Jagathrakshakan, Chairman of Accord Group of Companies by The Enforcement Directorate. BWR has 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 rating action factors the uncertainty on the business due to these developments and BWR's assessment that any claims arising in this connection may impact the overall financial risk profile of the Company.

The rating has been placed on Credit Watch with developing Implications pending further developments in the above matters. BWR will closely monitor the situation and take appropriate rating action as and when it has clarity on these aspects

The ratings continue to factor the consistent operational and financial performance, experienced management, established track record (part of the Chennai based Accord Group) 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.



**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. The company is part of Chennai based ACCORD GROUP, which is promoted by Mr. Jagathratchagan and his family members. 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.

Dr. S. Jagathrakshagan is the Chairman of the Accord Group. Mr J Sundeep Anand and Mrs J Srinisha are the directors of ADBPL.

Some of the major group companies of the Accord group include Fortune Distillers And Vintners Private Limited, Accord Life Spec Private Limited, Jam Hotels And Resorts Private Limited, J Hotels Pvt.Ltd and Sri Lakshmi Ammal Educational Trust.

**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
TangibleNet 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 (July 2020)			Rating History		
	Type	Amount (Rs. Crs)	Rating	02 Apr 2019	2018	04 Dec 2017 <sup>^</sup>
<b>Fund Based</b>						
Cash Credit	Long Term	70.00	<b>13 July 2020</b>	<b>BWR BBB-/Stable</b>	-	<b>BWR BB+/Stable</b>
Term Loan		14.64	<b>BWR BBB- Credit watch with developing implications</b>			
Cash Credit		70.00	<b>29 Apr 2020</b>			
Term Loan		14.64	<b>BWR BBB-/Negative</b>			
<b>Non Fund Based</b>						
Letter of credit	Short Term	16.00	<b>13 July 2020</b>	<b>BWR A3</b>	-	<b>BWR A4+</b>
			<b>BWR A3 Credit watch with developing implications</b>			
			<b>29 Apr 2020</b>			
			<b>BWR A3</b>			
<b>Total</b>		<b>100.64</b>	<b>Rupees One Hundred Crores And Sixty Four Lakhs Only</b>			

<sup>^</sup> 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](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

• <a href="#">General Criteria</a>	• <a href="#">Approach to Financial Ratios</a>
• <a href="#">Manufacturing Companies</a>	• <a href="#">Short Term Debt</a>
• <a href="#">Policy for placing ratings on credit watch</a>	

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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
<b>Total : Rupees One Hundred Crores And Sixty Four Lakhs Only</b>					<b>100.64</b>



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