

Press Release

Alpine Distilleries Private Limited

March 16, 2022

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	0.95	-	ACUITE A4+ Upgraded
Bank Loan Ratings	74.71	ACUITE BB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	75.66	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BB**' (read as **ACUITE Double B**) from ACUITE D' (read as ACUITE D) and upgraded the short term rating to 'ACUITE A4+' (read as ACUITE A four plus) from ACUITE D' (read as ACUITE D) on the Rs.75.66 Cr bank facilities of Alpine Distilleries Private Limited (ADPL). The outlook is 'Stable'.

The rating upgrade takes into account the regularization of delays in debt servicing, improving business risk profile of the company as reflected from its growing revenue trend and subsequent improvement in liquidity. The rating further factors management's long track record in the sector, and the ongoing capacity expansion that will lead to a significant scale up of the business. The rating also draws comfort from the constant promoter's support in the form of adequate fund infusion, association with large IMFL players having established brands and successful commencement of new distillery unit. These strengths are however, partly offset by the working capital intensity in ADPL's operations and vulnerability to changing regulatory environment.

About the Company

Incorporated in 2002, Alpine Distilleries Private Limited (ADPL), is a Kolkata based company, engaged in bottling of Indian made Foreign Liquor (IMFL). The company is promoted by Mr Debasis Mukherjee, Mr Debraj Mukherjee and IMFL bottling facility in Hooghly (WB) in April 2012 with an installed capacity of 18 lakh cases per annum. From 2019, Mr Yogesh Jain, Delhi based businessman has invested funds and is presently the major shareholder of the company (63.15 per cent). The company bottles and markets well-known brands like "Officer's Choice", "Officer's Choice Blue" and "Old Monk Rum" for prominent liquor manufacturers. As a part of backward integration initiative, the company has set up a grain-based Extra Neutral Alcohol (ENA) plant with an installed capacity of 60 KLPD (20 million litres p.a.) and a co-generation power plant of 3MW. The plant has become operational from December- 2020.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of ADPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters of ADPL have an experience of more than two decades in the business, i.e. Extra Neutral Alcohol (ENA) manufacturing. Further, the plant is headed by Mr. Debraj Mukherjee, having more than three decades of experience in distillery plant. Mr Yogesh Jain is the major shareholder of ADPL and has rich experience in various business like hospitals, hotels, chewing tobacco, pan masala, distillery & IMFL plants, washing powder, real estate, tea etc. The promoters have demonstrated financial support to the company in the past through fund infusion of approximately more than hundred crore. Additional investment in expansion of Ethanol facility is further expected to strengthen the market position of the company.

- **Modest scale of operation**

ADPL is a relatively small player in the industry with an operational capacity of around 60KLPD (newly commissioned grain-based distillery in December 2020) and turnover of Rs. 10.96 crore in FY21 as against Rs. 6.02 crore in FY20. The turnover of the company declined from FY19 to FY21 due to shut-down of the country spirit (CS) division of the company owing to mounting losses coupled with pandemic induced lockdown measures. The small scale restricts the company from enjoying the economies of scale. The shortfall in debt repayment obligations in FY 19 and FY 20 was met through the fund infused by the promoters, as the company suffered net cash loss of Rs. 2.61 crore in FY21 and Rs. 44.03 crore in FY20. However, the company has been able to regain its growth trajectory, since it has achieved revenues of Rs. 82.54 Cr till January 2022 (Provisional).

The profitability margins of the company have remained volatile since last three years. However, the operating margin improved to 58.04 per cent in FY21 as compared to losses in the previous year. The PAT margins also stood at 5.04 per cent as on FY2021. The improvement in profitability margins have translated into positive RoCE levels for the company of about 1.86 per cent in FY2021 as against negative returns in FY2020. Acuité nevertheless, believes that the company's business risk profile would improve backed by its scale of operations over the medium term owing to their domain expertise and capacity additions.

Weaknesses

- **Below average financial risk profile**

The company's financial risk profile is marked by modest albeit improving networth, high gearing and moderate debt protection metrics. The tangible net worth of the company improved to Rs. 56.05 Cr as on March 31, 2021 from Rs.55.50 Cr as on March 31, 2020 due to accretion of profits. Gearing of the company stood high as Debt to Equity ratio stood at 2.15 as on March 31, 2021 as compared to 1.70 as on March 31, 2020 due to sharp increase in unsecured loans which the promoters had infused to fund its ENA unit and working capital for the same which became operational from December 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.43 times as on 31 st March, 2021 as against 2.03 times as on 31st March, 2020. The moderate debt protection metrics of the company is marked by Interest Coverage Ratio at 2.60 times and Debt Service coverage ratio at 1.43 times as on 31st March, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.03 times as on 31st March, 2021. Acuité believes that going forward, despite having debt funded capex plans, the financial risk profile of the company will remain at moderate levels backed by scaling of business and sufficient cash inflow from ENA plant to repay its debt obligation.

The company is planning to undertake a capex to set up a 225KLPD Ethanol plant to meet the growing demand of fuel grade ethanol for blending purpose with fully convertible mode with ENA. The total cost of the project is approximated at Rs.170 Cr of which is expected to be funded partly through Rs.162.00 Cr term loan and remaining from promoter's contribution. The financial closure is yet to be achieved. Since the project's success is subject to approval of facilities from bank, the said project is exposed to significant funding risk and implementation risk. Acuité believes that the timely completion of the project at the envisaged cost would be a key monitorable.

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 434 days as on March 31, 2021, as compared to 290 days as on 31 st March 2020. The high GCA days are on account of high level of inventory. The inventory holding stood high at 555 days as on 31 st March 2021 as compared to 4 days as on 31 st March 2020, since in December'20 the company started its distillery division and hence there was significant increase in purchase of raw materials. However, the debtor period stood comfortable at 50 days as on 31 st March 2021 as compared to 178 days as on 31st March 2020. Going forward, Acuité believes that the operations would remain working capital intensive mainly due to the inherently high level of inventory.

- **Exposure to risks related to the highly regulated nature of the liquor industry**

The Indian alcohol industry is highly regulated at almost every stage in the value chain. Moreover, every state has its own regulations with respect to distribution and retail, registration, taxation and pricing of alcohol. Any change in the regulatory environment will affect the profitability of the liquor industry.

Rating Sensitivities

- Sustainability in revenue growth and profitability margin
- Elongation of working capital cycle
- Timely completion of the ongoing capex

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by net cash accruals which stood at Rs. 4.05 Cr as on March 31, 2021 as against long term debt repayment of Rs. 2.06 Cr over the same period. The cash and bank balances of the company stood at Rs.0.96 Cr as on March 31, 2021. The company meets its working capital requirement through unsecured loans from the promoter group. Further, any shortfall in servicing the debt repayment obligations shall be made out of fund infused by the promoters. Moreover, the company has neither availed loan moratorium, nor additional covid loan. However, the current ratio stood low at 0.62 times as on March 31, 2021. Further, the working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 434 days as on March 31, 2021 as against 290 days as on March 31, 2020. Acuité believes that going forward the company's liquidity position will improve in FY22 due to scaling of business post commencement of distillery division.

Outlook: Stable

Acuité believes that the outlook on ADPL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, strong business risk profile and healthy financial risk profile. The outlook may be revised to 'Positive' in case of

significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or delay in completion of its projects or further elongation in its working capital cycle.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	10.96	6.02
PAT	Rs. Cr.	0.55	(4.86)
PAT Margin	(%)	5.04	(80.82)
Total Debt/Tangible Net Worth	Times	2.15	1.70
PBDIT/Interest	Times	2.60	0.10

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Jul 2021	Cash Credit	Long Term	3.05	ACUITE D (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	11.07	ACUITE D (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	0.95	ACUITE D (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	1.25	ACUITE D (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	4.34	ACUITE D (Downgraded and Issuer not co-operating*)
	Proposed Term Loan	Long Term	55.00	ACUITE D (Downgraded and Issuer not co-operating*)
08 Mar 2021	Cash Credit	Long Term	3.05	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	0.95	ACUITE A4+ (Issuer not co-operating*)
	Term Loan	Long Term	11.07	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	4.34	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	1.25	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Proposed Term Loan	Long Term	55.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
31 Dec 2019	Term Loan	Long Term	4.34	ACUITE BB (Issuer not co-operating*)
	Proposed Term Loan	Long Term	55.00	ACUITE BB (Issuer not co-operating*)
	Cash Credit	Long Term	1.25	ACUITE BB (Issuer not co-operating*)
	Term Loan	Long Term	11.07	ACUITE BB (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.95	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	3.05	ACUITE BB (Issuer not co-operating*)
06 Oct 2018	Cash Credit	Long Term	3.05	ACUITE BB (Issuer not co-operating*)
	Term Loan	Long Term	4.34	ACUITE BB (Issuer not co-operating*)
	Term Loan	Long Term	11.07	ACUITE BB (Issuer not co-operating*)
	Cash Credit	Long Term	1.25	ACUITE BB (Issuer not co-operating*)
	Proposed Long Term Loan	Long Term	55.00	ACUITE BB (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.95	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	1.25	ACUITE BB (Issuer not co-operating*)
	Cash Credit	Long Term	3.05	ACUITE BB (Issuer not co-operating*)
	Proposed Long Term	Long		

09 Mar 2017	Loan	Term	55.00	ACUITE BB (Issuer not co-operating*)
	Term Loan	Long Term	11.07	ACUITE BB (Issuer not co-operating*)
	Term Loan	Long Term	4.34	ACUITE BB (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.95	ACUITE A4+ (Issuer not co-operating*)
30 Dec 2015	Term Loan	Long Term	15.41	ACUITE BB Stable (Assigned)
	Proposed Long Term Loan	Long Term	55.00	ACUITE BB Stable (Assigned)
	Cash Credit	Long Term	4.30	ACUITE BB Stable (Assigned)
	Bank Guarantee	Short Term	0.95	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.95	ACUITE A4+ Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	16.03	ACUITE BB Stable Upgraded
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	42.70	ACUITE BB Stable Upgraded
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	15.98	ACUITE BB Stable Upgraded

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About Acuité Ratings & Research

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