

Press Release

Amrut Distilleries Private Limited

December 23, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.130.00 Cr.
Long Term Rating	ACUITE A-/Stable (Reaffirmed)
Short Term Rating	ACUITE A1 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE A-**' (**read as ACUITE A minus**) and the short term rating of '**ACUITE A1**' (**read as ACUITE A one**) to Rs.130 crores bank facilities of Amrut Distilleries Private Limited (ADPL). The outlook is '**Stable**'.

Amrut Distilleries Private Limited (ADPL) was incorporated in 1948, by J N Radhakrishna. Currently, the company is managed by 3rd generation entrepreneur Mr. Rakshit Jagdale, grandson of the founder along with the support of his father and 2nd generation entrepreneur Mr. Neelkanta Jagdale. The company started its operations mainly with supplying Dark Rum to defence forces through the tie-ups with Canteen Stores Department (CSD) and over a period, it diversified into other products segments of Malt Whisky, brandy, Vodka, Gin. ADPL pioneered manufacturing of malt whisky in India in 1980's and single malt whisky in 2004. The company has three facilities for processing and bottling, two in Karnataka and one in Kerala.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Long track record of operations**

Established in 1948, Amrut Distilleries Private Limited (ADPL) has a long operational track record of more than six decades in the Indian Made Foreign Liquor (IMFL) industry. Currently, the second and third generation promoters who have long standing experience in the business are managing the day to day operations of the company. Over the years, they have been able to establish comfortable relationships with reputed customers both in the domestic and international market. Acuité believes that the long track record of operations will benefit the company going forward resulting in steady growth in the scale of operations.

- **Established brands and strong presence in domestic market**

The company sells its products mainly under the brand of 'Amrut' and has 40 sub brands attached to it. These brands enjoy a market premium as compared to other products mainly due to their premium quality products such as single malt whisky where there are limited players in the domestic market. The single malt whisky is one of the premier players in the international market also. ADPL has an established market throughout the country covering states of Karnataka, Kerala, West Bengal, Goa, Maharashtra, etc. In addition to this, the company also caters to 13 canteen depots out of total 34 canteen depots in India and has an international market across the European Union, United States and the rest of the world, in total covering 43 countries. Acuité believes that the company commands strong brand equity in the domestic and international market which will help them in maintaining their business risk profile over the medium term.

- **Healthy financial risk profile**

The company's financial risk profile is marked by healthy networth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the company improved to Rs.110.22 crores as on March 31, 2019 from Rs.90.92 crores as on March 31, 2018 due to accretion to reserves. The company has moderate gearing at 1.30 times as on March 31, 2019 as against 1.41 times as on March 31, 2018. The debt comprises of Rs.142.80 crores entirely of working capital borrowing as on March 31, 2019. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.64 times as on March 31, 2019 as against 1.84 times as on March 31, 2018. The comfortable debt protection metrics of the company is marked by Interest Coverage Ratio at 3.37 times in the past two years ended as on March 31, 2019 and the NCA/TD of 0.15 times in the past 2 years ended March 31, 2019. Acuité believes that going forward the financial risk profile of the company will remain comfortable backed by steady accruals and no major debt funded capex plans.

Weakness

- **Working capital intensive nature of operations**

The working capital intensive nature of operations is marked by high Gross Current Assets (GCA) of 236 days in March 31, 2019 as compared to 220 days in March 31, 2018. The GCA days are high due to high inventory days at 112 in March 31, 2019 as compared to 92 days as on March 31, 2018. These high inventory days are mainly due to ageing of products which improves the quality of the liquor. The debtor period is comfortable at 44 days in March 31, 2019 as compared to 38 days in March 31, 2018. Going forward, Acuite believes that the operations would remain working capital intensive mainly due to the inherently high ageing of inventory.

- **Customer concentration risk**

ADPL is exposed to customer concentration risk as the major source of the revenue is Canteen Stores Departments (CSD). The company is generating around 83 per cent of the revenue from Karnataka State Beverages Corporation Limited and Kerala State Beverages Corporation Limited. Acuité believes that any customer concentration risk exposes the entity to risks related to changes in the requirements of the customers.

- **High regulatory risk by government**

Indian liquor industry is highly regulated by the government, with regulations ranging from licensing, production, distribution, inter-state exports, raw material availability and advertisements. There have been continuous regulatory changes in terms of state government's policies towards liquor consumption. Any government regulation can have significant impact on their operating income and profitability.

Rating Sensitivity

- Improvement in the scale of operation while maintaining profitability margin
- Working capital management in operations

Material Covenant

None

Liquidity Profile

The company's liquidity is strong marked by net cash accruals of Rs.19.73 crores in March 31, 2019 as against no debt repayment obligation. The current ratio stood at 1.41 times as on March 31, 2019 as compared to 1.37 times as on March 31, 2018. The fund based limit remains utilised at 89 percent over the twelve months ended October, 2019. The cash and bank balances of the company stood at Rs.5.13 crores as on March 31, 2019 as compared to Rs.17.05 as on March 31, 2018. ADPL also had

unencumbered fixed deposits of Rs.79.79 crores as on March 31, 2019. These unencumbered balances provide strong support to the strong liquidity position of the company. The company has maintained these fixed deposits from past 6 years as a cushion of liquidity in the business. These deposits will be maintained in future and will be used only during any contingency situations such as funding the advance excise duty demands of the government. However, the company's operations are working capital intensive as reflected by high Gross Current Assets (GCA) of 236 days in March 31, 2019 as against 220 days in March 31, 2018. Acuité believes that going forward the company will maintain strong liquidity position due to steady accruals, high unencumbered liquid deposits and healthy networth base.

Outlook: Stable

Acuité believes the outlook on Amrut Distilleries Private Limited will remain stable over the medium term on account of established market presence and strong financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in its revenues while sustaining its profitability and improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in its financial risk profile largely driven by high working capital intensive operations, or any adverse change in political and regulatory changes impacting the business risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	270.06	255.92
PAT	Rs. Cr.	15.87	14.97
PAT Margin	(%)	5.88	5.85
Total Debt/Tangible Net Worth	Times	1.30	1.41
PBDIT/Interest	Times	3.37	3.37

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Nov-2018	Cash Credit	Long Term	127.00 (Enhanced from Rs. 20.00 crores)	ACUITE A-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A1 (Assigned)
26-Oct-2018	Cash Credit	Long Term	20.00	ACUITE A-/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	127.00	ACUITE A/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A1 (Reaffirmed)

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About Acuité Ratings & Research:

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