



Press Release
BOKARO SPIRITS AND ALLIED INDUSTRIES PRIVATE LIMITED
November 16, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	225.00	ACUITE BB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	225.00	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 225.00 Cr bank facilities of Bokaro Spirits and Allied Industries Private Limited (BSA IPL). The outlook is '**Stable**'.

Rating Rationale

The rating assigned reflects the experience of the promoter of more than two decades in the distillery and brewery industry, minimal offtake/demand risk, easy availability of raw materials in close proximity, positive industry outlook buoyed by support from the government. However, these strengths are partly offset by the company's exposure to risks related to its ongoing project and expected leveraged capital structure.

About the Company

Bokaro Spirits and Allied Industries Private Limited (BSA IPL) was incorporated on 12th May, 2021 with the object to carry the business activity related to manufacturing of absolute alcohol (Ethanol), rectified spirit & extra natural alcohol. The company is setting up a 250 KLPD Grain Based Distillery Plant with 6.5 MW Co Generation Power Plant with integrated Bottling plant of capacity 3.8 million cases p.a. The manufacturing unit is located at Bokaro, Jharkhand. The promoters have more than two decades of experience in the similar line of businesses through their existing distillery and brewery set up in Punjab and Jharkhand. The total cost of project is Rs.357.00 Cr and the expected commercial operation date is 1st April, 2024.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of BSA IPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced promoters coupled with favourable industry outlook

The promoters of the company have more than two decades of experience in the distillery and brewery industry through their other companies who are into the similar business. Going forward, the long-term demand outlook of ethanol and biofuel remains favourable on the back of a significant demand-supply gap, along with the Government's focus on reducing crude oil import dependency. Further, with the Central Government's aim to achieve 20 per

cent ethanol blending target by 2025, the demand for ethanol is likely to continue. To increase indigenous production of ethanol, the Government is taking multiple interventions for enhancement and augmentation of the ethanol production capacity including interest subvention scheme.

Acuité derives comfort from the experience of the promoters and healthy demand for ethanol.

Minimum off take/ demand risk

The company plans to sell 80 per cent of its production to Oil Marketing Companies (OMCs), and for this the company is about to receive the bi-party agreement from HPCL in the month of November'23. Currently, the company proposes to supply the entire output to HPCL through a metering pipe, with its collection centre being just 500 m away from the proposed location. Going forward, the company shall participate in the open tenders as well. Further BSPL proposed to sell 20 per cent of its produce as ENA. As a part of the project, BSPL is setting up a bottling unit to manufacture alcohol and performing bottling on behalf of third party.

Timely execution of agreement with HPCL and company's ability to get orders from other OMCs and from open market would remain a key monitorable.

Weaknesses

Expected leverage capital structure

The company's capital structure is expected to remain average marked by comfortable networth base and high gearing over the medium term. The tangible net worth of the company stood at Rs.41.59 Cr as on 31st March 2023. Acuite has considered an unsecured loan of Rs. 19.56 Cr as on March 31, 2023 and Rs.72.00 Cr as on March 31, 2024 (projections) as a Quasi equity, as the SBI's sanction letter dated 03rd January 2023 states that unsecured loan totaling Rs.72 Cr shall be subordinated to the bank loan and shall not be withdrawn during the currency of the bank loan. Gearing stood at 0.32 times as on March 31, 2023 and is expected to increase in the near term with a recent sanction Rs. 225.00 Cr term loan in the current fiscal for setting up the distillery plant along with a 6.5 MW Co generation power plant. The total cost of project is Rs.357.00 Cr which is to be funded partly through Rs.225.00 Cr term loan from State Bank of India, Rs.60.00 Cr through equity infusion and remaining Rs.72.00 Cr through quasi equity. The financial closure has been achieved. In this project, up to 30th September 2023, the company has incurred Rs.175.85 Cr which has been funded by term loan of Rs.119.54 Cr and remaining from promoter's funding. The promoters are resourceful and will infuse any incremental funding requirement if the situation arises. The scheduled date of commercial production is 1st April 2024.

Acuité believes that going forward the financial risk profile of the company is expected to be average due to leveraged capital structure..

Exposure to implementation risk

BSAIPL is scheduled to commence its commercial operation in April 2024 and has already incurred ~50 per cent of total capex till 30th September,2023. The company is exposed to execution risk as ~50 per cent of the project cost is yet to be incurred. The management expects the commencement of commercial operations in the beginning of April 2024. Ability to execute the project in a timely manner with no cost or time overruns and early stabilization of the project are key credit sensitivities. Acuité would continue to monitor the project progress, and the track record of operations, once commercialised, and take rating actions appropriately.

Rating Sensitivities

- Timely completion of the project without any cost or time overrun.
- Timely stabilization of operations.

All Covenants

None.

Liquidity Position

Adequate

The company's adequate liquidity position is expected to support debt servicing in the near-to-medium term on account of the presence of escrow accounts to ensure timely repayment. Furthermore, as per the sanction term three month's DSRA is to be created at the time of first quarterly repayment i.e., 1st October 2024. Net cash accrual is expected to be adequate, post completion too. The promoters are expected to infuse equity and unsecured loans to support the business. However, timely implementation of the project and generation of expected cash accrual will be key rating sensitivity factors.

Outlook: Stable

Acuité believes that BSAIPL will maintain a 'Stable' outlook on the basis of the positive outlook in the ethanol industry. The outlook may be revised to 'Positive' in case of timely stabilization of operations. Conversely, the outlook may be revised to 'Negative' in case of slippages in project execution, significant cost over-run resulting in deterioration in the liquidity and leverage position on a prolonged basis.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	(3.26)	(0.72)
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.32	(1.82)
PBDIT/Interest	Times	(4.10)	(2415.82)

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History :

Not Available

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	225.00	ACUITE BB Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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