



**Press Release**  
**BOKARO SPIRITS AND ALLIED INDUSTRIES PRIVATE LIMITED**  
**February 13, 2025**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	225.00	ACUITE BB   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	225.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BB**' (read as **ACUITE double Bo**)n the Rs. 225.00 Cr. bank facilities of Bokaro Spirits and Allied Industries Private Limited (BSAIPL). The outlook is '**Stable**'.

**Rating Rationale**

The rating reaffirmation takes into account the full scale commencement of the commercial production of the plant from January 15, 2025. Further, Acuite understands that the original commencement date (COD) of April 01, 2024 was extended till October 31, 2024 on account of technical glitches. Furthermore, quality issues in the bottling plant extended the commercial commencement to January 15, 2025. This delay in COD resulted in an overall cost overrun of ~Rs. 47 Cr. leading to total project cost of Rs. 404.67 Cr.

Further, the rating considers the minimal offtake risk considering the supply orders received by the company from oil marketing companies (OMCs) and ample demand of ethanol in the market which shows revenue visibility over medium term. Further, the rating also reflects the experience of the promoter of more than two decades in the liquor industry and positive industry outlook buoyed by support from the government in the form of subsidies and input price reduction. However, these strengths are partly offset by the stabilisation risks post COD coupled with moderate financial risk profile over the medium term and input price volatility with limited pricing power.

**About the Company**

Bokaro Spirits and Allied Industries Private Limited (BSAIPL) 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 (ENA). The company has set up a 250 KLPD grain (rice) 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 and presently the company is managed by Mr. Amit Kumar Jha and Mr. Prashant Arora.

**Unsupported Rating**

Not Applicable.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of BSAIPL 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 industry through their existing distillery and brewery set up in Punjab and Jharkhand. Further, 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. Also, with the Central Government's aim to achieve 20 per cent ethanol blending target by 2025, the demand for ethanol is likely to continue. Acuité derives comfort from the experience of the promoters and healthy demand for ethanol.

**Minimum off take and demand risk**

The company plans to sell its ethanol production mainly to OMCs, whereas bottling and ENA are expected to be sold in open market. The company has currently received ethanol supply orders from OMCs like Hindustan Petroleum Corporation Limited (HPCL) and Indian Oil Corporation Limited (IOCL) for ESY 2024-25 (November

2024 – October 2025) for a total of 55,000 KL. Further, the company shall bid for upcoming tenders for long term supply agreements to OMCs in November 2025. Also, being in close proximity to HPCL plant, the company is expected to have an ease of supply advantage. Further, the supply of bottles is also expected to commence from March 2025 and will be done through local tie-ups. Also, ENA (Liquids/Spirits) will be produced simultaneously and be sold through open market sales. Acuité believes company's ability to get long term supply orders from OMCs and open market would remain a key monitorable.

#### **Favourable government measures to support cash flows**

With the recent announcement on Food Corporation of India (FCI) on reducing the price of rice from Rs.28.00/kg to Rs.22.50/kg for ethanol production, the input cost of the company is expected to reduce leading to improvement in margins. Further, to increase production of ethanol, the Government is taking multiple initiatives for enhancement and augmentation of the ethanol production capacity. The company is eligible for 50% interest subsidy (up to 6% p.a.) for a period of 5 years for the actual interest paid on the term loan availed, reimbursement of 25% VAT (upto 200% of capex) paid for 5 years, Rs 25 crore capital subsidy from state government and incentive on Net SGST for 7 years from date of production.

Acuité believes timely receipt of these incentives shall boost the cashflows of the company.

#### **Weaknesses**

##### **Project stabilisation risk with limited track record of operations**

Being the COD of project has just commenced; the track record of profitable operations is yet to be established. The company's ability to achieve healthy capacity utilisation and generate healthy cash accruals will be important for its credit profile.

##### **Moderate Financial Risk Profile**

The company's capital structure is expected to remain moderate marked by moderate networth base and high gearing over the medium term. The total project cost of Rs. 404.67 Cr. has been funded through equity of Rs. 60 Cr. debt of Rs. 225 Cr. and unsecured loans from promoters/ group companies of Rs. 119.67 Cr. Of these unsecured loans, Rs. 72 Cr. has been considered as quasi equity as per the bankers sanction clause. The repayment on the term loans shall begin from April 01, 2025. Further, the company is expected to draw working capital borrowings of Rs. 35 Cr. The gearing stood at 1.79 times as on March 31, 2024 which is expected to increase to ~2.5 times as on March 31, 2025. Moreover, the promoters are resourceful and are expected to infuse any incremental funding requirement, if required.

Acuité believes that the financial risk profile of the company is expected to be moderate due to leveraged capital structure over the medium term.

##### **Input price volatility with limited pricing power**

Bokaro uses grain (rice) as a raw material for its production. Since grains are seasonal products and its production depends on vagaries of nature, price of which may vary depending on production. On the other side, considering limited pricing flexibility for its key final product as ethanol prices are decided by the government, the company's profitability may get affected.

#### **Rating Sensitivities**

- Profitable and long-term supply tie ups with OMCs and others.
- Adequate cash flow generations to improve the liquidity and financial risk profile.
- Unfavourable changes in the government measures.

#### **Liquidity Position**

##### **Adequate**

The company's liquidity position is expected to support debt servicing in the near-to-medium term on account of presence of escrow accounts to ensure timely repayment. Furthermore, as per the sanction term three month's debt service reserve account is to be created at the time of first quarterly repayment i.e., April 01, 2025. The net cash accrual is expected to be adequate with the onset of ethanol supply orders. Further, the promoters are expected to infuse equity and unsecured loans to support the business. However, timely implementation of the orders and generation of expected cash accrual will be key rating sensitivity factors.

#### **Outlook: Stable**

##### **Other Factors affecting Rating**

None.

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	0.03	0.00
PAT	Rs. Cr.	(4.85)	(3.26)
PAT Margin	(%)	(15519.97)	0.00
Total Debt/Tangible Net Worth	Times	1.79	0.32
PBDIT/Interest	Times	(2.82)	(4.10)

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

Not Applicable.

### Any other information

None.

### 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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Nov 2023	Term Loan	Long Term	225.00	ACUITE BB   Stable (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Complexity Level</b>	<b>Rating</b>
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2032	225.00	Simple	ACUTE BB   Stable   Reaffirmed

## Contacts

Mohit Jain Senior Vice President-Rating Operations	<b>Contact details exclusively for investors and lenders</b>
Dhruvi Chauhan Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: <a href="mailto:analyticalsupport@acuite.in">analyticalsupport@acuite.in</a>

### About Acuité Ratings & Research

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