



Press Release
INDALC SPIRITS PRIVATE LIMITED
August 06, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	107.00	ACUITE BB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	107.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.107.00 Cr. bank facilities of Indalc Spirits Private Limited (ISPL). The outlook is '**Stable**'

Rationale for Rating

The rating reflects the company's exposure to stabilisation risk in the initial phase of operations of its project and expected leveraged capital structure. These weaknesses are offset by the easy availability of raw materials in close proximity, positive industry outlook buoyed by support from the government. The rating draws comfort from the promoter's experience from the poultry business and allied activities to benefit ISPL and the flexibility to infuse funds in the business as and when required.

About the Company

Incorporated in 2020, Indalc Spirits Private Limited (ISPL) is setting up a manufacturing unit of grain-based distillery plant of 100 kilo litre per day (KLPD) and 3 megawatt (MW) captive power plant. The products manufactured would be organic and inorganic chemical compounds like Ethanol, Extra Neutral Alcohol (ENA), Distillers Dried Grain with soluble (DDGS) and Carbon dioxide in Bhubaneswar, Khorda, Odisha. The company has its registered office in Odisha. The present directors of the company are Mr. Akash Agarwal, Mr. Prakash Kumar Rout and Mr. Prakash Kumar Nayak.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Indalc Spirits Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Experienced promoters

The company is backed by promoters namely Mr. Prakash Kumar Rout who has prior experience in poultry, animal feed, fish feed and dairy industries of Odisha as well as eastern India. He has implemented innovative and automated production and manufacturing, packing and forwarding, distribution and monitoring technologies in the business. Secondly, Mr Prakash Kumar Nayak, who has experience in procurement of raw materials like rice, maize. Thirdly, Mr Akash Agarwal who has experience in the FMCG, logistics and beverages sector. Acuite believes that the company will benefit from the vast business experience acumen of the promoters over the medium term.

Secured Off-take along with healthy demand potential for ethanol

The company has negligible off take or demand risk, as under the Ethanol Blending Program (EBP) of India, the company has entered into a long-term offtake agreement with oil marketing companies (OMCs) namely Bharat Petroleum Corporation Limited (BPCL), Indian Oil Corporation Limited (IOCL) and Hindustan Petroleum Corporation Limited (HPCL) for a period of ten years on an annual offtake quantity of 0.990 Cr. litre of ethanol.

The long-term demand outlook of ethanol and biofuel remain 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.

Weaknesses

Exposure to stabilisation risk due to early stages of project

The company is scheduled to commence its commercial operation around October 2024 to December 2024. Acuité would continue to monitor the status of stabilization of the project and the track record of operations, once commercialised. Acuité believes that the timely stabilization of the project coupled with healthy off-takes by OMC's would be a key monitorable.

Expected leveraged capital structure

The company's capital structure is expected to remain below average marked by low net worth base and high gearing over the near to medium term. The debt protection metrics are also expected to remain below average in the initial phase of business. The total cost of project is Rs.145.57 Cr. which is to be funded partly through Rs.85 Cr. term loan from State Bank of India, and remaining Rs.60.57 Cr. from promoter's contribution. The company is also expected to avail of working capital limits in the near to medium term. The promoters are resourceful and will infuse any incremental funding requirement on need basis. Acuité believes that going forward the financial risk profile of the company is expected to be below average due to leveraged capital structure and below average debt protection metrics over the medium term.

Rating Sensitivities

- Timeliness in infusion of funds by promoters
- Timely implementation and stabilisation of operations

Liquidity Position

Adequate

The company has adequate liquidity as reflected from financial flexibility of promoters to infuse funds in the project from time-to-time. Furthermore, the net cash accruals are expected be low over the near term. The term loan repayments are expected to start from November 2025. The company is expected to maintain a deposit of 3-4 months repayment of interest and instalments in the bank, so any shortfall in payment would be met out of it. The company will also receive a sanction of working capital limit of Rs. 22 Cr. around November 2024 which is expected to fund its day-to-day operations. However, timely implementation and stabilisation of the project and generation of optimum cash accrual will be key rating sensitivity factors.

Outlook: Stable

Acuité believes that the company 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 implementation and stabilisation of operations and improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lesser than expected off-takes from OMC's, 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.	0.00	0.00
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	(1.13)	(2.38)
PBDIT/Interest	Times	0.00	0.00

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

IND-RA, vide its press release dated December 08th, 2023 had denoted the rating of Indalc Spirits Private Limited as 'IND-RA B+/Stable/A4; REAFFIRMED AND ISSUER NOT CO-OPERATING'.

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, 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 Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.00	ACUITE BB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2033	Simple	85.00	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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