December 27, 2024

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400001
Scrip Code : 507205

To,
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block-G,
Bandra-Kurla Complex, Bandra (East),
Mumbai-400 051.
Symbol : TI

Sub: **Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015- Revision in Credit Rating**

Dear Sir/Madam,

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that CRISIL Ratings has revised its outlook on the long-term bank facilities to **'Positive'** from 'Stable' and reaffirmed its rating at **'CRISIL A-'**. The revision in outlook is due to significant improvement in the financial risk profile, with progressive repayment of debt and healthy cash generation, making the company net-debt free as on September 30, 2024.

The instrument-wise ratings are given below:

Sr. No.	Bank Facility	Issue Size (Rs. in Crores)	Revised Rating
1.	Term loan	43.53	CRISIL A-/Positive
2.	Working capital facility	120	CRISIL A-/Positive
3.	Proposed working capital facility@	30	CRISIL A-/Positive
4.	Proposed term loan facility#	6.47	CRISIL A-/Positive

#Total Term loan is Rs 50 crore
@Total working capital facility is Rs 150 crore

The rating document along with the rationale issued by CRISIL Ratings Limited dated December 26, 2024 is enclosed herewith.

The above disclosure is available on the website of the Company www.tilind.com.

We request you to kindly take the above on your record.

Thanking you,

Yours faithfully,

For **Tilaknagar Industries Ltd.**

MINUZEER YAZDI BAMBOAT Digitally signed by MINUZEER YAZDI BAMBOAT Date: 2024.12.27 11:04:04 +05'30'

Minuzeer Bamboat
Company Secretary & Compliance officer
Encl: a/a

CONFIDENTIAL

RL/TINAIN/359887/BLR/1224/105487
December 26, 2024

Mr. Abhinav Gupta
Chief Financial Officer
Tilaknagar Industries Limited
3rd Floor, Industrial Assurance Building,
Churchgate,
Mumbai City - 400020
9878170010

Dear Mr. Abhinav Gupta,

Re: Review of CRISIL Ratings on the bank facilities of Tilaknagar Industries Limited

All ratings assigned by CRISIL Ratings are kept under continuous surveillance and review.

Please find in the table below the ratings outstanding for the debt instruments/facilities of the company, and the rating actions by CRISIL Ratings on the ratings as on date.

Total Bank Loan Facilities Rated	**Rs.200 Crore**
Long Term Rating	**CRISIL A-/Positive (Outlook revised from 'Stable'; Rating Reaffirmed)**

(Bank-wise details as per Annexure 1)

As per our Rating Agreement, CRISIL Ratings would disseminate the ratings, along with the outlook, through its publications and other media, and keep the ratings, along with the outlook, under surveillance over the life of the instrument/facility. CRISIL Ratings reserves the right to withdraw, or revise the ratings, along with the outlook, at any time, on the basis of new information, or unavailability of information, or other circumstances which CRISIL Ratings believes may have an impact on the ratings. Please visit www.crisilratings.com and search with the name of the rated entity to access the latest rating/s.

In the event of the company not availing the proposed facilities within a period of 180 days from the date of this letter, a fresh letter of revalidation from CRISIL Ratings will be necessary.

Should you require any clarification, please feel free to get in touch with us.

With warm regards,

Yours sincerely,

Anil More
Associate Director - CRISIL Ratings

Nivedita Shibu
Director - CRISIL Ratings

Annexure 1 - Bank-wise details of various facility classes (outstanding facilities)

S.No.	Bank Facility	Bank	Amount (Rs. in Crore)	Outstanding Rating
1	Proposed Term Loan	--	6.47	CRISIL A-/Positive
2	Proposed Working Capital Facility	--	30	CRISIL A-/Positive
3	Term Loan	Kotak Mahindra Bank Limited	43.53	CRISIL A-/Positive
4	Working Capital Facility	Kotak Mahindra Bank Limited	120	CRISIL A-/Positive
	Total		**200**	

1. Total Term loan is Rs.50 crore
2. Total working capital facility is Rs. 150 crore

Rating rationale

Tilaknagar Industries Ltd

Outlook revised to 'Positive' from 'Stable'; Rating reaffirmed

Rating action

Total bank loan facilities rated	**Rs 200 crore**
Long-term rating	**CRISIL A-/Positive (outlook revised from Stable; rating reaffirmed)**

Refer Annexure 1 for facility details
1 crore = 10 million

Detailed rationale:
CRISIL Ratings has revised its outlook on the long-term bank facilities of Tilaknagar Industries Ltd (TIL) to **'Positive'** from 'Stable' and reaffirmed its rating at **'CRISIL A-'**.

The revision in outlook factors in significant improvement in the financial risk profile, with progressive repayment of debt and healthy cash generation, making the company net-debt free as on September 30, 2024. The rating action also factors in the expectation of sustained growth in revenue and operating margin. The rating factors in the established track record, vintage and experience of the promoters in the liquor industry. These strengths are partially offset by limited reach in terms of geographic presence and categories, highly regulated nature of the alcohol industry, volatility in input prices and lower pricing power.

In the first half of fiscal 2025, net revenue grew modestly by around 4.5% to Rs 688 crore, as compared to Rs 658 crore in first half of fiscal 2024, despite a brief slowdown in growth witnessed during the first quarter, due to the general elections and elections in key state, Andhra Pradesh, where TIL has a strong presence. Revenue growth was driven by an equal mix of volume and realisations. The brandy segment where TIL has a strong market position, formed nearly 94% of total volume sold in fiscal 2024 (93% in fiscal 2023), followed by around 4.3% from rum and the balance from vodka, gin and whiskey. Sales of brandy is supported by robust demand for flagship brands, Mansion House and Courier Napolean and growth in revenue from recently launched products such as Flandy and Chambers. TIL has a strong presence in southern India, which formed around 86% of the total volume sold in fiscal 2024. Revenue is expected to grow to double digits over the near-to-medium term, driven by strong demand for existing products, uptick in demand from AP (30% of revenue) wherein the government had recently announced privatisation of liquor retail outlets (effective October 2024), higher revenue contribution from new products such as 'Monarch' launched in the premium category, and the growing geographic penetration.

Operating margin improved to around 16.9% in the first half of fiscal 2025, as compared to 12.9% in the corresponding period of the previous fiscal, driven by expansion in gross margin by around 150 basis points, subsidy of Rs 16 crore received from the government of Maharashtra, and benefits of higher operating leverage. Increase in gross margin was driven by sharp correction in prices of key raw material, extra neutral alcohol (ENA). The margin should sustain at 15-16% over the near to medium term.

Financial risk profile has further improved, aided by progressive repayment of debt and healthy cash generation, translating to negative net debt position as on September 30, 2024. With total debt reducing to Rs 92 crore as on September 30, 2024 (Rs 119 crore as on March 31, 2024) and tangible networth improving to Rs 745 crore (Rs 653 crore), gearing has reduced to 0.12 time, from 0.18 time over the same period. Gearing may sustain below 0.1 time over the medium term with progressive repayment of debt and accretion to reserves. Aided by higher profitability and lower interest expenses, interest cover has improved to 16.14 times in first half of fiscal 2025, from 6.30 times in the first half of fiscal 2024. With expected improvement in profitability, interest coverage expected to improve to over 17 times this fiscal and above 20 times over the medium term. Net cash accruals to total debt (NCAAD) likewise which improved to 2.46 times in first half of fiscal 2025 (fiscal 2024: 1.38 times) is expected to sustain above 2 times over the near to medium term

Analytical approach:
To arrive at the ratings, CRISIL Ratings has combined the business and financial risk profiles of TI and its wholly owned subsidiaries, Vahni Distilleries Pvt Ltd, Punjab Expo Breweries Pvt Ltd and Prag Distilleries Pvt Ltd as the entities have similar businesses.

Key rating drivers and detailed description:
Strengths
Established market position in the brandy segment of Indian manufactured foreign liquor (IMFL):
TIL, which was set up as a sugar manufacturing company in 1933, gradually exited the same and started manufacturing and bottling of IMFL since 1974.

The company enjoys a leadership position in the brandy segment (94% of total volume) in the IMFL industry, with a market share of nearly 25%, excluding Tamil Nadu. Further, within the prestige and above segment, TIL has around 30% market share. Brandy is the second largest in the spirits category, forming over 20% volume share after whiskey (55%). South India is a key region for IMFL manufacturers as it accounts for almost 60% consumption. TIL derives 86% of total volume from this region.

Prestige and above constitutes only ~34% of overall brandy segment, which is much lower compared to whiskey and vodka. Increasing premiumisation is expected to augur well for the company as more than ~80% of its products are in the premium category. This along with new product launches is expected to drive revenue growth in the near-to-medium term.

Established track record and extensive experience of the promoters
TIL, which was set up as a sugar manufacturing company in 1933, gradually exited the business and started manufacturing and bottling of IMFL since 1974. The company has a strong distribution network of nearly 40,000 outlets across the country, and sells mainly through state corporations, direct sales, and distributors. It also exports to Africa, Middle East, East and South-East Asia and Europe.

TIL is a major player in south India, which accounted for around 86% of total revenue. The promoters have experience of more than five decades and strong relationships with dealers/distributors. Mr Amit Dahanukar, the current Chairman-cum-Managing Director joined the board in 2001 and has been instrumental in guiding the company through its troubled phase and reviving the business prospects.

Comfortable financial risk profile
The capital structure is marked by healthy networth of Rs 745 crore as on September 30, 2024 (March 31, 2024: Rs.653 crore), due to steady accretion to reserve and reduction in debt to Rs 92 crore as on September 30, 2024 (from Rs 119 crore as on March 31, 2024). Gearing has reduced to 0.12 time as on September 30, 2024, from 0.18 time as on March 31, 2024. Absence of any large, debt-funded capital expenditure (capex) and prudent working capital management should ensure low reliance on bank debt. Total outside liabilities to tangible networth (TOL/TNW) ratio is likely to improve to less than 0.50 time over the medium term. This, coupled with the growing scale and improving profitability should boost the financial risk profile.

Weaknesses
Limited geographical and category diversification in the highly regulated alcohol industry
The liquor industry is highly regulated with the state government controlling sales and distribution. Any change in government policies, with respect to production and distribution, or significant variation in the duty structure may impact the liquor industry and the players thereon. Further, TIL derives a large percentage of turnover from southern India (86% of total volume), and any unfavourable regulatory policy in these states may adversely impact the business. The company has been taking steps to reduce its geographical concentration by expanding into newer regions.

Given the concentration risk arising from brandy alone forming 94% of volume, the company plans to scale up in other categories and reduce its brandy concentration to around 80% over the medium to long term.

Volatility in input prices and limited pricing power
The key raw materials of TIL include ENA and glass (packing material). Profitability of IMFL manufacturers is dependent on price of ENA, as it forms 50% of raw material cost. ENA prices rose by nearly 20% from around Rs 59/litre in fiscal 2022 to around Rs 70/litre in fiscal 2023 and glass prices grew 20-30% in fiscal 2023 and softened in fiscal 2024. As a result, the operating margin declined from 14.7% in fiscal 2022 to 11.8% in fiscal 2023. However, margin has improved in fiscal 2024, partly due to softening of prices. ENA is derived from agro-based products such as grain and molasses, which are impacted by vagaries of monsoon; consequently, their prices remain volatile. The company has limited pricing power as prices in majority of states wherein the company operates (barring Karnataka and Puducherry) are governed by regulatory authorities.

Outlook: Positive
CRISIL Ratings believes TIL's business risk profile will improve over the medium term supported by sustained revenue growth momentum with operating margins sustaining at comfortable levels. Strong brand recall, robust demand and the premiumisation trend, should also benefit the company. Healthy cash generation and absence of any major debt funded capex plans will also keep the financial risk profile comfortable.

Liquidity: Strong
TIL had cash and cash equivalents of Rs 117 crore as on September 30, 2024. This, coupled with net cash accrual of Rs 180-200 crore over the near to medium term, which be adequate to cover the debt obligation of Rs 25-30 crore over fiscals 2025 and 2026. NCA would also be adequate to meet capex requirements of Rs.20 -25 crore this fiscal and Rs.70-75 crore over medium term. Bank limit utilisation was negligible at 22% in the six months with unutilised limit of Rs 35 crore offering an additional cushion.

Rating sensitivity factors
Upward scenario
- Sustained revenue growth while maintaining operating profitability at 14-15%, ensuring good cash generation
- Sustenance of strong financial risk profile, robust debt metrics and healthy liquidity

Downward scenario
- Sluggish revenue growth and decline in margin below 10-11% on a sustained basis also impacting cash generation
- Higher than expected debt-funded capex or acquisitions or stretch in working capital cycle impacting debt metrics

About the company
TIL was founded in 1933, as The Maharashtra Sugar Mills Ltd by Mr Mahadev L Dahanukar. In the 1970s, the company shifted its focus to alcohol production, and soon became a prominent manufacturer of alcoholic beverage (Alcobev) brands in India. TIL is the maker of India's highest-selling premium brandy, Mansion House Brandy. The company offers over 15 different brands of brandy, whiskey, gin, rum, and vodka, with a focus on the 'prestige-and-above' segments. Manufacturing operations span 19 units, including 4 owned units and 15 contract manufacturing units. The primary manufacturing facility is in Srirampur, Ahmednagar district, Maharashtra. In Srirampur, TIL has a 100 KLPD grain-based distillery (currently non-operational) and a 50 KLPD molasses-based distillery.

Brandy forms ~22% of the overall IMFL market in India. TIL is the largest player in the brandy segment having ~25% market share excluding Tamil Nadu (market dominated by local players). TIL has a strong foothold and brand-recall in South Indian states (AP, Telangana, Karnataka, Kerala and Puducherry). In fiscal 2024, the company sold over 11.2 million cases (1 case = 9 litres), reflecting 16% increase compared to fiscal 2023, with southern states contributing 86% of the volume, followed by the East (2.4%), West (2.9%), canteen store departments (CSD) and exports (8.6%). TIL maintains a robust distribution network across the country, primarily selling through state corporations, direct sales, and distributors.

Key financial indicators

As on/for the period ended March 31		2024	2023
Net revenue	Rs Crore	1,394	1,164
Profit after tax (PAT)	Rs Crore	138	150
PAT margin	%	9.90	12.87
Adjusted debt/Adjusted networth	Times	0.18	0.52
Adjusted interest coverage	Times	7.06	3.52

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings complexity levels are assigned to various types of financial instruments. The CRISIL Ratings complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure – Details of instrument

Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
Term loan	NA	NA	30-Jul-2028	43.53	NA	CRISIL A-/Positive
Working capital facility	NA	NA	NA	120.00	NA	CRISIL A-/Positive
Proposed working capital facility@	NA	NA	NA	30.00	NA	CRISIL A-/Positive
Proposed term loan facility#	NA	NA	NA	6.47	NA	CRISIL A-/Positive

#Total term loan is Rs 50 crore
@Total working capital facility is Rs 150 crore

Annexure - Details of bank lenders and facilities

Facility	Amount (Rs crore)	Name of lender	Rating
Term loan	43.53	Kotak Mahindra Bank Ltd	CRISIL A-/Positive
Working capital facility	120.00	Kotak Mahindra Bank Ltd	CRISIL A-/Positive
Proposed working capital facility@	30.00	-	CRISIL A-/Positive
Proposed term loan facility#	6.47	-	CRISIL A-/Positive

#Total Term loan is Rs 50 crore
@Total working capital facility is Rs 150 crore

Annexure - List of entities consolidated

Name of entity	Extent of consolidation	Rationale for consolidation
Vahni Distilleries Pvt Ltd	100%	Common management, similar line of business, business and financial linkages, and common promoters
PunjabExpo Breweries Pvt Ltd	100%	Common management, similar line of business, business and financial linkages, and common promoters
Prag Distilleries Pvt Ltd	100%	Common management, similar line of business, business and financial linkages, and common promoters