



Associated Alcohols & Breweries Limited

CIN: L15520MP1989PLC049380

26th April, 2024

Ref No.: AABL/2024-25/CS/SE

To,
The Department of Corporate Services
BSE Limited
PJ Tower, Dalal Street,
Mumbai – 400 001
Scrip Code: 507526

To,
The Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, G Block
Bandra Kurla Complex,
Mumbai – 400 051
NSE Symbol: ASALCBR

Subject: Intimation for clarification regarding Rating Rationale/ Credit Rating under Regulation 30 of the Securities and Exchange Board of India – Listing Obligation and Disclosure Requirements (LODR) Regulations, 2015

Dear Sir / Madam,

This is with reference to our earlier communication dated **29th March, 2024** the rating rationale from CRISIL has been received.

Rating action

Total bank loan facilities rated	Rs. 110 Crore
Long-term rating	CRISIL A-/Stable (migrated from 'CRISIL BBB+/Stable; Issuer not cooperating')
Short term rating	CRISIL A2+ (migrated from 'CRISIL A2; Issuer not cooperating')

Please find attached the rating rationale in this regard, this is for your information and record.

Thanking you.

Yours faithfully,

For: Associated Alcohols & Breweries Ltd.

Sumit Jaitely
Company Secretary & Compliance Officer

Rating Rationale

April 26, 2024 | Mumbai

Associated Alcohols and Breweries Limited

Ratings migrated to 'CRISIL A-/Stable/CRISIL A2+'

Rating Action

Total Bank Loan Facilities Rated	Rs.110 Crore
Long Term Rating	CRISIL A-/Stable (Migrated from 'CRISIL BBB+/Stable ISSUER NOT COOPERATING*')
Short Term Rating	CRISIL A2+ (Migrated from 'CRISIL A2 ISSUER NOT COOPERATING*')

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings.

The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

*Issuer did not cooperate; based on best-available information

Detailed Rationale

Due to inadequate information and in line with the Securities Exchange Board of India guidelines, CRISIL Ratings had migrated the rating of Associated Alcohols and Breweries Limited (AABL) to 'CRISIL BBB+/Stable/CRISIL A2 Issuer Not Cooperating'. However, the management has subsequently started sharing requisite information and management discussion, necessary for carrying out a comprehensive review of the ratings. Consequently, CRISIL Ratings is migrating the rating on the bank facilities of AABL to '**CRISIL A-/Stable/CRISIL A2+**' from 'CRISIL BBB+/Stable/CRISIL A2 Issuer Not Cooperating'.

The rating continues to reflect AABL's established market position in Madhya Pradesh (MP), backed by extensive experience of its promoters, diversified product offering and presence of own brand etc. The rating also factors in group's healthy financial risk profile driven by low gearing and healthy debt protection metrics. These strengths are, however, Moderate scale of operations, presence in the highly regulated alcoholic beverages industry, and geographical concentration in revenue.

Analytical Approach

CRISIL Ratings has revised its analytical approach and now taken a standalone approach. Earlier, CRISIL Ratings combined MEBL (Mount Everest Breweries Limited) along-with Associated Alcohols and Breweries Ltd (AABL). The revision is based on the changed stance of the management where both AABL and MEBL would be managed separately.

Key Rating Drivers & Detailed Description

Strengths:

- Group's established market position:** The AABL has an established position in the liquor and beer industry, backed by its longstanding presence and the promoters' extensive experience of over three decades and strong relationship with the supplier. The company manufactures rectified spirit (RS), extra neutral alcohol (ENA), country liquor (CL) and Indian-made foreign liquor (IMFL). This has given the promoters an understanding of the dynamics of the market and helped establish relationships with suppliers and customers. All these factors have aided steady growth in revenue. The Company has already achieved a turnover of around Rs. 517 crores till Dec'23 and expected to achieved turnover of Rs. 750-780 crores in fiscal 2024 supported by improvement in revenue from recently launched new brands and ethanol plant which gets operational in Feb 2024. Regular addition of new products, and capacity expansion will further enhance the market position and the business risk profile of the company.
- Healthy financial risk profile:** The capital structure is supported by healthy estimated network of Rs. 400-410 crore and low total outside liabilities to tangible network ratio of less than 1 time for the three fiscals ended March 31, 2024. Debt protection metrics were comfortable due to low leverage and healthy profitability as indicated by interest coverage of 11-13 times and net cash accrual to adjusted debt ratio of 0.7-0.8 times in fiscal 2024. The company is also planning for multiple capex but same is managed through internal accruals, therefore financial risk profile is expected to remain comfortable going forward as well. CRISIL believes timely completion of planned capex with no cost overrun impacting the financial risk profile remains key monitorable.

Weaknesses:

- Moderate scale of operations:** Although the company has achieved an operating income CAGR of ~21% for last three fiscal years through 2024, the scale of operations continues to remain moderate. The Company has booked turnover of around Rs. 517 crores till Dec'23 and expected to achieved turnover of Rs. 750-780 crores in fiscal 2024 supported by improvement in revenue from recently launched new brands, improved traction from other states like Kerela, UP, Delhi etc., and ethanol plant which gets operational in Feb 2024 and going forward management is expecting revenue of ~Rs. 200-250

crores from Ethanol plant which will further add to support the overall business risk profile going forward. While management intends to launch new products, as per market requirement, steady market penetration leading to sustained volume growth amidst steady realization will remain a key monitorable.

- **Presence in the highly regulated alcoholic beverages industry:** AABL operates in the Indian brewery and distillery industry. Various facets of the industry such as production, distribution, raw material availability and advertisements are highly regulated by the state and central governments. The industry operates based on licences provided by state governments. Sale and distribution of liquor products in both the wholesale and retail sectors are controlled by each state. Thus, government regulations have a significant effect on profitability, particularly in states where the government controls the pricing and any significant change in excise policy of respective state and subsequently its impact on the company will be closely monitored.
- **Geographical concentration of revenue:** The company generates majority of its revenue from MP and is susceptible to regulatory actions by the state or state specific events, which can have a significant impact on revenue and profitability. The company will likely improve its market share outside MP and is looking to enter other key consumption markets such as Delhi, Uttar Pradesh, and Chhattisgarh. The management's focus on diversifying presence and revenue streams (entry into ethanol) will lower the geographical concentration in revenue in the long run and its sustenance to be closely monitored.

Liquidity: Strong

Bank limit utilisation is low at around 38 percent for the past twelve months ended January 2024. Cash accrual are expected to be over Rs 65-70 crore which are sufficient against term debt obligation of Rs 10-15 crore over the medium term. In addition, it will be act as cushion to the liquidity of the company. Current ratio is healthy at 2.36 times on March31, 2023. The promoters are likely to extend support in the form of equity and unsecured loans to meet its working capital requirements and repayment obligations. Further, Low gearing and moderate net worth support its financial flexibility and provides the financial cushion available in case of any adverse conditions or downturn in the business.

Outlook: Stable

CRISIL Ratings believes the AABL will continue to benefit from its established market position and sustain its healthy operating performance.

Rating Sensitivity factors

Upward factors:

- Sustained and significant revenue growth along with operating profitability at over 11-12% leading to more than expected net cash accruals.
- Penetration into different geographies leading to decline in dependence on sale from MP.
- Efficient working capital management, amid business growth, leading to lower reliance on external debt and an improved return on capital employed.

Downward factors:

- Adverse regulations or highly competitive environment leading to fall in revenue and margins below 7-8% leading to lower-than-expected net cash accruals.
- Fall in operating profitability or stretch in the working capital cycle impacting the net cash accrual and liquidity.

About the Company

Incorporated in 1989, AABL is the flagship company of the Indore-based Kedia group, promoted by the late Mr Bhagwati Prasad Kedia. The company is managed by Mr. Prasann Kedia supported by a professional board and management. The company produces a variety of alcohol, including rectified spirit, ENA, CL and IMFL, along with bottling for international brands such as Diageo. AABL has a distillery and bottling facility in Khargone, MP, with capacity of 45 MLPA. It is expanding its distillery capacity by 40 MLPA to cater to rising ethanol demand.

Key Financial Indicators

As on/for the period ended March 31	Unit	2023	2022
Operating income	Rs.Crore	700.91	513.25
Reported profit after tax	Rs.Crore	41.56	60.81
PAT margins	%	5.93	11.85
Adjusted Debt/Adjusted Networkth	Times	0.26	0.01
Interest coverage	Times	45.76	109.23

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 and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity levels	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	4	NA	CRISIL A2+
NA	Bank Guarantee	NA	NA	NA	1	NA	CRISIL A2+
NA	Bank Guarantee	NA	NA	NA	6	NA	CRISIL A2+
NA	Cash Credit	NA	NA	NA	3	NA	CRISIL A-/Stable
NA	Cash Credit	NA	NA	NA	8	NA	CRISIL A-/Stable
NA	Cash Credit	NA	NA	NA	6	NA	CRISIL A-/Stable
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	2	NA	CRISIL A-/Stable
NA	Term Loan	NA	NA	Jul-2028	80	NA	CRISIL A-/Stable

Annexure - Rating History for last 3 Years

		Current		2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	99.0	CRISIL A-/Stable	28-03-24	CRISIL BBB+ /Stable(Issuer Not Cooperating)*	05-06-23	CRISIL A/Stable	30-12-22	CRISIL A/Stable	01-11-21	CRISIL A-/Stable	Withdrawn
			--		--	04-01-23	CRISIL A/Stable		--		--	--
Non-Fund Based Facilities	ST	11.0	CRISIL A2+	28-03-24	CRISIL A2 (Issuer Not Cooperating)*	05-06-23	CRISIL A1	30-12-22	CRISIL A1	01-11-21	CRISIL A2+	Withdrawn
			--		--	04-01-23	CRISIL A1		--		--	--

All amounts are in Rs.Cr.

* - Issuer did not cooperate; based on best-available information

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	4	IDBI Bank Limited	CRISIL A2+
Bank Guarantee	1	HDFC Bank Limited	CRISIL A2+
Bank Guarantee	6	Kotak Mahindra Bank Limited	CRISIL A2+
Cash Credit	3	IDBI Bank Limited	CRISIL A-/Stable
Cash Credit	8	HDFC Bank Limited	CRISIL A-/Stable
Cash Credit	6	Kotak Mahindra Bank Limited	CRISIL A-/Stable
Proposed Fund-Based Bank Limits	2	Not Applicable	CRISIL A-/Stable
Term Loan	80	HDFC Bank Limited	CRISIL A-/Stable

Criteria Details

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

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