

## Allianz Distillery Limited (Revised)

January 20, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	100.00	CARE BB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to the bank facilities of Allianz Distillery Limited (ADL) is constrained on account of limited experience of the promoters to execute similar project, time and cost over-run in the project, and also exposes the company to risks emanating from stabilization of the newly commissioned plant mainly on account of absence of long-term offtake agreement. The rating is further constrained by seasonal nature of availability of paddy and susceptibility of margins to raw material price fluctuations. However, the aforementioned rating weaknesses are partially offset by commencement of commercial operations, favourable industry prospects towards ethanol plant as per ethanol blended petrol (EBP) programme by Government of India (GOI) and favourable location of the plant for sourcing of raw material.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Achievement in scale of operations through achieving envisaged capacity utilization levels i.e. 85%, along with timely realizations from customers.
- Improvement in financial risk profile marked by Term debt to PBILDT (Profit before interest, lease rentals, depreciation and taxes) below 5x.

#### Negative factors

- Inability of the company to ramp up its scale of operations and failure to reach envisaged capacity utilisation levels.
- Adverse regulatory changes leading to significant impact on company's operations.
- Deterioration in financial risk profile with Term debt to PBILDT above 7 times on a sustained basis.

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (Care Ratings) expectation of achievement in company's scale of operations backed by government support under the Ethanol Blended Petrol programme (EBP).

### Detailed description of key rating drivers:

#### Key weaknesses

##### Limited past track record of the promoters to execute such projects

The company is promoted jointly by Mr. Dinesh Kumar Jain (MD), Mr. Rakesh Kumar Jain, Mr. Sanjay Kumar and Mr. Neetin Kumar, who have no prior experience in the distillery field which makes it more challenging for the company to smoothly ramp up the operations. Also, the project has already witnessed delay in implementation and cost over-run which has been largely attributed to excessive rainfall in the region leading to delays. However, company has commenced its operations and has hired the experienced and professional team having relevant expertise for smooth ramp up of operations. Further, the promoters have infused ~Rs. 54.84 crore in the project, in the form of equity as well as unsecured loans (non-interest bearing).

##### Stabilization risk associated with its newly operational plant

The company has set up a grain-based ethanol plant with an installed capacity of 100 KLPD (kilo litre per day) along with a 3.0 MW captive power generation plant in Mathura District of Uttar Pradesh. The total cost of the project stood at Rs. 163.64 crore against estimated cost of Rs. 143.74 crore. Further, there was a time overrun as the project got commissioned on December 31, 2024 as against scheduled date of commencement of October 31, 2024. The production and capacity utilization is yet to stabilize and the ability of the company to ramp up its operations remains a key monitorable.

**Moderate off-take risk:** The company has not entered any long-term offtake arrangement and will be selling through the tender bidding in open market majorly to OMCs & to the private players as per requirement. Absence of any long-term tie-up arrangement exposes the company to the offtake risk. However, orders received from a private entity, Nayara Energy Limited

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

along with two other intermediaries & tender issued by the OMCs on regular intervals moderates the off-take risk up to some extent.

#### **Seasonal nature of availability of paddy and susceptible of margins to raw material price fluctuations:**

The company's main raw material for ethanol production is rice and maize. Raw material cost accounts for majority of the overall cost and there is limited control over selling prices of ethanol. Accordingly, stability in raw material prices is critical and any adverse movement in the same may affect the Project sustainability. ADL's profitability will remain vulnerable to volatility in raw material prices like other players in the industry as key raw materials, being agricultural crops, are seasonal in nature, the availability of the same is affected by factors such as changes in weather conditions, low or high rainfall, production levels, etc. However, the risk is partly mitigated by revision of prices for ethanol by the Government on regular intervals based on the prevailing raw material prices.

#### **Key strengths**

##### **Positive Industry prospects**

The Indian government had advanced the target of achieving 20% ethanol blending in petrol by 2025 from 2030 earlier. As per ISMA, 3.4 million tonnes of sugar equivalent are estimated to be deviated towards ethanol production using diversion of sugarcane juice, sugar/sugar syrup, B-heavy molasses and C-heavy molasses. The Department of Food and Public Distribution (DFPD), Ministry of Consumer Affairs, Food and Public Distribution, Government of India (GoI) with a view to increase production of ethanol and its supply under Ethanol Blended with Petrol (ESP) Programme, has notified a scheme "Scheme for extending financial assistance to project proponents for enhancement of their ethanol distillation capacity or to set up distilleries for producing ethanol from feed stocks such as cereals (rice, wheat, barley, corn & sorghum), sugarcane, sugar beet etc." The said scheme is for providing financial assistance, in the form of interest subvention & various other subsidies.

##### **Locational Advantage**

The company has setup its plant in Uttar Pradesh, second largest state in India in terms of production of rice with the majority coming from district of Shahjahanpur and Kheri. The Raw Material (RM) i.e. broken rice will be procured from the nearby districts from Uttar Pradesh i.e. from Shahjahanpur district (at a distance of ~81 km) and Kheri district (at a distance of ~172 km) will be sufficient to cater the RM needs of the company. The firm will mostly purchase the RM from major rice mill consortiums/local mandis in the state. Additionally, site is well connected through roads, railways, market, communication, power & water resources. Nearest highway is NH-19 (4 km from site) and Chhata railway station (4.6 km).

##### **Liquidity: Stretched**

The operations of the company have commenced at the end of December 2024. Therefore, the liquidity position depends upon the stabilization of operations and achievement of envisaged capacity utilization levels. The debt repayment are scheduled to begin from June 2025. Company is expecting to have sufficient accruals in FY26 against repayment obligations. Additionally, need-based financial support from the promoters is readily available to address any exigencies as evidenced from the fact that promoters have infused funds to the tune of ~Rs. 54.84 crore in the project (including ~Rs.9 crore infused additionally towards cost escalation).

#### **Applicable criteria**

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

#### **About the company and industry**

##### **Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals & Petrochemicals	Commodity Chemicals

Allianz Distillery Limited (ADL) was incorporated in April 01, 2022 by Mr. Dinesh Kumar Jain (Managing Director), Mr. Sanjay Kumar, Mr. Neetin Kumar and Mr. Rakesh Kumar Jain, with an objective to manufacture grain-based ethanol. The company has set up 100 KLPD grain based ethanol plant and 3.0 MW of captive power generation plant in Mathura district of U.P. and commenced its operations at the end of December 2024. Main produce will be ethanol used for blending with petroleum as biofuel and by-products are Distillers Dry Grain Soluble (DDGS) and Carbon Dioxide.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	0.00	0.01
PBILDT	-0.08	-0.05
PAT	-0.07	-0.07
Overall gearing (times)	11.97	114.24
Interest coverage (times)	NA	NA

A: Audited, NA: Not Applicable; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Proposed fund based limits		-	-	-	0.50	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	31/10/2033	99.50	CARE BB; Stable

#### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	99.50	CARE BB; Stable				
2	Fund-based - LT-Proposed fund based limits	LT	0.50	CARE BB; Stable				

LT: Long term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

#### Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Proposed fund based limits	Simple
2	Fund-based - LT-Term Loan	Simple

## Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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