

Shiva Distilleries Private Limited

January 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	90.00	CARE A-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in the rating assigned to bank facilities of Shiva Distilleries Private Limited (SDPL) continues to take strength from the company's long track record of operations of the company by virtue of experienced promoters in the sugar and Indian made foreign liquor (IMFL) business and benefits derived to SDPL from being part of the Bannari Amman group. Ratings also draws comfort from the improving operating efficiencies reflected in its increased scale of operations and profitability in FY24 (refers to April 01 till March 31) and H1FY25 (refers to April 01 till September 30) on the back of hike in prices by Tamil Nadu State Marketing Corporation Limited (TASMAC); that is the sole retailer of IMFL in Tamil Nadu. CARE Ratings Limited (CARE Ratings) expects sustenance in the company's financial risk profile going forward with healthy operating margin of 10-11% in the medium term and comfortable capital structure with low debt levels with no major debt-funded capex plans in the near-to-medium term. However, these rating strengths remain constrained by revenue and profitability susceptible to volatility and cyclical nature of raw material and its prices, and highly regulated nature of the IMFL business in Tamil Nadu.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in total income from operations by 15-20% and a profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of 10-12% on a sustained basis.

Negative factors

- Increase in the total debt (TD) leading to TD to gross cash accruals (GCA) above 3.0x on a sustained basis.
- Negative industry development impacting cashflows indicated by PBILDT margin below 7% on a sustained basis.

Analytical approach: Standalone, factoring in management and operational linkages with group entity Bannari Amman Sugars Limited (BASL; rated 'CARE AA-; Stable/ CARE A1+').

Outlook: Stable

Stable outlook reflects, CARE Ratings Limited (CARE Ratings) expectation of sustenance of SDPL's comfortable financial risk profile of the company in line with sustained scale of operations, healthy profitability and low reliance on external debt going forward as well.

Detailed description of key rating drivers:

Key strengths

Established track record of operations and experienced promoter

SDPL has an established track record of over three decades of operations and has presence in the IMFL industry in Tamil Nadu, with a wide range of brands across all segments (ordinary, medium, and premium). Some leading brands of SDPL catering to premium, ordinary and medium segments are Cardinal VSOP Premium Brandy, Cardinal Grape Brandy, Oak Vat Rum, Monitor Delux Brandy, and Monitor 3D Gold Rum. Major raw material, extra neutral alcohol (ENA), is mainly procured from the group company, BASL. SV Balasubramaniam, Chairman, SDPL, is a chartered accountant by qualification and has nearly five decades of experience across industries, including sugar and IMFL. SDPL's day-to-day activities are managed by his son, B Saravanan, Managing Director, who is assisted by a team of experienced professionals.

Benefits derived from being part of the Bannari Amman group

SDPL belongs to the Bannari Amman group, promoted by SV Balasubramaniam, and is one of the established industrial houses in South India, with interests in sugar, industrial and potable alcohol, bio-compost, granite products, transport, and generation of power. BASL is the group's flagship company. SDPL shares common management and common shareholders with BASL as Sri S V Balasubramaniam and Sri B Saravanan is the Chairman and MD respectively and promoters for both companies. Apart from this, SVB Holdings Private Limited, which is the group's investment arm also holds equity in both companies. Promoters have shown demonstrated track record of support to SDPL in the form of unsecured loans, which stood at ₹3.05 crore as on March 31, 2024. Though SDPL has now repaid this unsecured loan, since the company has adequate cashflows. Promoters have expressed

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

their commitment to financially support SDPL's operations when required. SDPL procures ~50-60% of its ENA requirement from BASL, which forms 40-50% of BASL's distillery sales. SDPL's operations will continue to derive benefit from synergy and financial flexibility gained by being part of the well-established Bannari Amman Group.

Healthy operational performance in FY24

in FY24, total operating income (TOI) of SDPL witnessed a growth of ~26% on y-o-y basis. TOI grew to ₹624.35 crore in FY24 from ₹497.05 crore in FY23 mainly due to increase in volumes. The capacity utilisation of SDPL increased to 70% in FY24 from 56% in FY23 led by strong demand. However, realisations remaining largely stable at ~₹91 per litre of IMFL, cost of raw material increased from 65% of TOI in FY23 to 70% of TOI in FY24 affecting the company's profitability. Consequently, SDPL's PBILDT margin moderated to 6.48% in FY24 from 12.11% in FY23.

Per regulations of state government of Tamil Nadu, exclusive right of wholesale and retail of IMFL lies with TASMAL (government owned entity). TASMAL revised rates of IMFL and beer to increase by ₹144 on March 01, 2024. This increase in price will directly expand the company's bottom-line, since the cost has already been factored in the previous years. In H1FY25, the company has reported TOI of ₹366.55 crore at a stable capacity utilisation of ~70%. Operating profitability has improved in H1FY25 attributable to increase in price by TASMAL. Going forward, operating margin is expected to sustain at ~10-11% in the medium term.

Comfortable capital structure and coverage indicators

SDPL's capital structure is comfortable marked by overall gearing of 0.06x as on March 31, 2024 (PY: 0.07x). The company's total debt stood at ₹19.25 crore majorly of working capital against tangible net worth of ₹298.15 crore. The company's debt-coverage indicators are also healthy marked by TD/PBILDT of 0.48x in FY24 against 0.32x in FY23. In the absence of debt-funded capex, SDPL's capital structure is envisaged to remain comfortable in the medium term.

Key weaknesses

Highly regulated industry

The liquor industry is highly regulated in India, with each state controlling the production, sales, and duty structure independently. While regulations act as high entry barriers, there are difficulties in transfer of production from one state to another, and a substantial burden of duties and taxes. The state controls licences for production, distributorship, and retailing as well.

Cyclicality in raw material prices

Margins are highly susceptible to volatility in prices of molasses and grains, which are governed by factors including its supply. This eventually depends on production, government regulations, demand from other sectors such as biodiesel, among others. Although the company maintains sufficient inventory of raw materials to shield itself from adverse movements in prices in the short term, sustained high raw material prices may affect the company's profitability.

Liquidity: Adequate

The company's liquidity position remains adequate with free cash and liquid investments of ~₹104.73 crore as on September 30, 2024, against which, the company does not have outstanding term debt. Considering healthy cash accruals of ₹31 crore generated in FY24 and expected GCA of ₹45-50 crore in the next two years, CARE Ratings expects the company to garner adequate cash to meet its working capital requirements and interest obligations on the working capital borrowings. For 12-months ended September 2024, average utilisation of cash credit facility stood at ~10% leaving adequate buffer for future exigencies.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[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
Fast moving consumer goods	Fast moving consumer goods	Beverages	Breweries & distilleries

SDPL was incorporated on September 16, 1982, with its primary business activity of the manufacturing and selling IMFL products in Tamil Nadu. As a closely held family-owned company, SDPL commenced commercial operations by setting up a distillery unit in Coimbatore in 1983. As on September 30, 2024, the company's production capacity stood at 11.1 million cases per annum (equivalent to 999 lakh litre) of IMFL; it also has a captive windmill capacity of 4.78 MW. SDPL is part of the Coimbatore-based Bannari Amman group, one of the established industrial conglomerates in South India, and is engaged in manufacturing sugar, industrial and potable alcohol, bio-compost, granite products, and power. The group was initially promoted by SV Balasubramaniam, while currently, the next-generation members are actively engaged in managing their respective businesses.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	497.05	624.35	366.55
PBILDT	60.20	40.49	NA
PAT	40.24	27.50	NA
Overall gearing (times)	0.07	0.06	NA
Interest coverage (times)	17.36	73.20	NA

A: Audited UA: Unaudited NA: Not Available; 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-Cash Credit		-	-	-	90.00	CARE A-; 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-Cash Credit	LT	90.00	CARE A-; Stable	-	1)CARE A-; Stable (07-Dec-23)	1)CARE BBB+; Stable (09-Dec-22)	1)CARE BBB; Stable (05-Jan-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short 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-Cash Credit	Simple

Annexure-5: Lender details

To view 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 for clarifications.

Contact us

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About us:

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