

Forever Distillery Private Limited

March 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	154.00	CARE BB+; Stable	Assigned
Long Term / Short Term Bank Facilities	49.00	CARE BB+; Stable / CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Forever Distillery Private Limited (FDPL) are constrained by its leveraged capital structure coupled with modest debt coverage indicators. The ratings also consider the company's vulnerability to fluctuations in raw material prices and the inherent risks of operating within a regulated industry. The ratings also factor in the project risk for capacity expansion which will be partly funded through bank debt. However, the ratings derive comfort from the improvement in operational performance during 9MFY25 (refers to the period April 01 to December 31), with revenue visibility supported by established offtake agreements and operational flexibility through dual feedstock processing capabilities. Furthermore, the ratings are supported by the company's locational advantages and the presence of qualified and resourceful promoters.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in total operating income (TOI) above Rs.250 crores with increase in profit before interest, lease, depreciation, and taxation (PBILDT) margin above 12.50% on sustained basis.
- Total Debt/ PBILDT sustaining at less than 4.50 times.

Negative factors

- Decline in total operating income below Rs. 150 crores or decrease in PBILDT margin below 8.00% on sustained basis.
- Deterioration in Total Debt/ PBILDT above 6.50 times on sustained basis.
- Any unindicated large-sized debt-funded capital expenditure (capex) or significant stretch in its gross working capital cycle resulting in to stretched liquidity position.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the company is likely to maintain its operational & financial risk profile over the medium term.

Detailed description of key rating drivers:

Key weaknesses

Leveraged capital structure with modest debt coverage indicators:

The company's capital structure remains leveraged, with overall gearing ratio of 3.71x as of March 31, 2024. This leveraged position is primarily driven by term loan availed for plant installation and modest net worth base of the company. As of March 31, 2024, the debt profile consists of term loans from banks amounting to Rs. 103.96 crore, outstanding working capital borrowings of Rs. 23.56 crore, and optionally convertible preference shares aggregating Rs.10 crore. The debt coverage indicators remain modest, with a total debt/PBILDT ratio of 12.16x and an interest coverage ratio of 1.19x as of March 31, 2024.

However, with a reduction in term debt and improved profitability during 9MFY25, the overall gearing ratio and total debt to PBILDT ratio improved to 3.63x and 3.97x, respectively, as on December 31, 2024. Furthermore, the interest coverage ratio improved to 3.54x as on December 31, 2024. CARE expects that the capital structure of the company will remain leveraged over medium term owing to planned debt funded capex of capacity expansion by 100 Kilotres Per Day (KLPD) which will be funded through term loans and unsecured loans from promoters.

Project Risk arising out of the sizeable capex plans:

FDPL has planned capacity expansion amounting to around Rs. 120 crores. The planned capacity will increase the production capacity of the company from 100KLPD to 200KLPD. The capex will be funded by Rs. 65 crore term loans and balance through internal accruals and infusion from the promoters. The company has received sanction for Rs. 40 crores for the planned capex and additional loans for Rs. 25 crores are under process of sanctioning. The capex is expected to be concluded during FY26

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

(refers to the period April 01 to March 31). Timely execution and achievement of optimum production with offtake of the enhanced capacity will remain a key monitorable for the near future.

Vulnerability to fluctuations in raw material prices:

The profitability margins of the company are highly sensitive to fluctuations in the prices of molasses and grains, which are influenced by several factors, including production levels, the arrival of the monsoon, and government policies related to the fixation of Minimum Support Price (MSP), exports policies, and other regulations. While the company maintains adequate raw material inventory to mitigate the impact of short-term price volatility, a sustained rise in raw material prices may adversely affect its profitability. However, the current installed capacity of the manufacturing plant, is capable to run both on molasses and grain based raw materials. This dual feedstock capability offers operational flexibility for a cost-efficient production strategy resulting in low reliance on a single raw material. Furthermore, the company is using the byproduct from molasses-based ENA production as fuel which is also expected to reduce the fuel cost by Rs. 6-7 per KL.

Risks associated with operating in a regulated industry:

FDPL's operations are highly influenced by government policies and schemes, including interest subvention, ethanol pricing & offtake, and the availability and pricing of raw materials. Government has been fixing remunerative ex-mill price of ethanol derived from C-heavy & B-heavy molasses, and sugarcane juice/ sugar/ sugar syrup. While the prices of ethanol produced from food grains such as Damaged Food Grains (DFG), maize & FCI rice are decided by Oil Marketing Companies (OMCs). Any discontinuation of the any favourable scheme or a significant reduction in ethanol pricing could negatively impact the company's financial health. Further, high taxation in form of excise duty, license fee, state-level import and export duty, bottling fee, welfare levy, assessment fee, franchise fee, turnover tax, surcharge, etc. making the liquor industry dynamics complex. However, the Central Government's decision to advance the ethanol blending target to 2025 has significantly boosted demand for ethanol, thereby supporting the financial performance of distillery units involved in ethanol production.

Key strengths**Growing scale of operations:**

During its first year of operations for the production capacity of ENA and ethanol in FY24, the company reported TOI of Rs. 163.67 crores with PBILDT margin of 6.41% but incurred losses at the net level. Moderate scale of operations at nascent stages made it challenging for the company to absorb the high fixed operational & interest cost. However, during 9MFY25, the company achieved TOI of Rs. 170.63 crores with nearly full utilization of its installed capacities. Further, PBILDT margin improved significantly to 13.13% during 9MFY25, driven by better overhead absorption and a more cost-effective production approach. The company has a secured offtake agreement with Radico Khaitan for 2 lakh cases of Country Liquor (CL) Tetra per month & also received advances for the entire year of FY25 for some additional supplies. Furthermore, the company meets the high demand for ethanol from Oil Marketing Companies (OMCs) in the vicinity through regular tender bidding.

The company's ability to sustain the growth in scale and profitability will be a key factor to monitor from a rating perspective.

Strategic location of the plant:

The raw materials required for ethanol production include various types of damaged cereal grains and molasses, which will be needed throughout the full year of operations. The company operates in the Deoria district of Uttar Pradesh (UP), providing a strategic locational advantage due to the proximity of raw materials, such as grains and molasses, both around the plant and from nearby areas. This location enhances the company's access to essential resources for production.

Qualified & resourceful promoters:

Tanmay Modi (Aged 50 years), Anish Modi (Aged 56 years), Manish Kedia (Aged 54 years) are the promoters of the company. Tanmay Modi is a Commerce Graduate having more than two decade of experience in different businesses in automobile, IT, computers etc. Anish Modi has over 30 years of experience in the field of IT, Computers etc. and Manish Kedia, Director on the Board, is a Fellow Member of the Institute of Chartered Accountants of India (ICAI). He has over 26 years of experience in the field of consultancy, taxation, audit, and investment advisory. Further, the promoters have infused funds in form of subordinated unsecured loans of Rs. 28.67 crores & preference shares of Rs. 10.00 crores as on March 31, 2024.

Liquidity: Adequate

The liquidity position of the company remains adequate, with repayment obligations of Rs. 6.72 crore for FY25, compared to expected gross cash accruals of ~Rs. 21-22 crores. Furthermore, the company's operating cycle remained short at 12 days during FY24, resulting in a low average working capital limit utilization of around 23% during past 12 months ended January 2025. Although the company maintains a modest free cash and bank balance of Rs. 0.23 crore as of March 31, 2024, the enhanced working capital limits of Rs. 20 crores would provide an additional liquidity cushion.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Beverages	Breweries & Distilleries

Incorporated in February 2020, FDPL is engaged in manufacturing of Ethanol, Rectified spirit, ENA , country liquor and by products including DDGS, Carbon dioxide etc. with manufacturing facility of the company is located at Deoria, Uttar Pradesh. The Company's also has its own Country liquor brands such as Billo Rani, phuljhadi, Kajrari, Gourjeet etc.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	86.56	163.67	170.63
PBILDT	2.62	10.49	22.14
PAT	-7.11	-17.79	1.22
Overall gearing (times)	2.76	3.71	3.63
Interest coverage (times)	0.99	1.19	3.54

A: Audited UA: Unaudited; 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	Coupon Rate(%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	31-01-2031	154.00	CARE BB+; Stable
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	44.00	CARE BB+; Stable / CARE A4+
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	5.00	CARE BB+; Stable / CARE A4+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		T Y P E	Amount Out- standing (₹ 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/ ST- Working Capital Limits	LT / ST	44.00	CARE BB+; Stable / CARE A4+	-	-	-	-
2	Fund-based - LT-Term Loan	LT	154.00	CARE BB+; Stable	-	-	-	-
3	Non-fund- based - LT/ ST-BG/LC	LT / ST	5.00	CARE BB+; Stable / CARE A4+	-	-	-	-

LT: Long 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-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple
3	Non-fund-based - LT/ ST-BG/LC	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 for clarifications.

Contact us

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About us:

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