MAY 28, 2014

CARE PLACES THE RATING ASSIGNED TO BANK FACILITIES OF TILAKNAGAR INDUSTRIES LTD ON 'CREDIT WATCH'

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Loans	252.95	**CARE BBB+ 'under credit watch' [Triple B Plus] {Credit Watch}**	Placed on credit watch
Long-term Bank Facilities	425.00	**CARE BBB+ 'under credit watch' [Triple B Plus] {Credit Watch}**	Placed on credit watch
Short-term Bank Facilities	45.00	**CARE A3+ 'under credit watch' [A Three Plus] {Credit Watch}**	Placed on credit watch
Total	**722.95**		

Rating Rationale

CARE has placed the ratings assigned to the bank facilities of Tilaknagar Industries Limited (TI) on "credit watch" in view of the impending possible impact of the acquisition of Indian Made Foreign Liquor (IMFL) division of IFB Agro Industries Ltd on the credit profile of the company.

CARE is in the process of evaluating the impact of the same on the credit quality of TI and has sought necessary information/clarification from the company. CARE will take a view on the rating once the implications of the above event on the overall credit profile of TI are clear.

Background

Tilaknagar Industries Limited (TI) was established in 1933 as a manufacturer of sugar and allied products under the name of Maharashtra Sugar Mills Ltd. (MSML). Later, in 1973, the company diversified into Industrial Alcohol, IMFL and sugar cubes business through its wholly owned subsidiary ''Tilaknagar Distilleries and Industries Ltd" and thereafter as on August 06, 1993, both these companies were merged to form Tilaknagar Industries Limited (TI). Presently, TI's business is broadly classified into manufacturing, marketing and sale of IMFL, industrial alcohol and chemicals. TI's manufacturing operations comprise 33 manufacturing units (1 directly operated unit, 8 units operating under its subsidiaries, 10 leased units and 14 tie-up units) present across various states in India. TI's primary manufacturing facility is in Shrirampur, Maharashtra with an installed capacity of 200 KLPD comprising 100 KLPD molasses-based distillation and grain-based distillery of 100 KLPD. The company is largely a domestic player with dominance in Southern region of India (Andhra Pradesh, Kerala, Karnataka, Tamil Nadu and Pondicherry) and exports its products to Western Africa, the Middle East, Far East and Caribbean countries.

During FY14, the company has acquired the IMFL business of Kolkata-based IFB Agro Industries Ltd and consequently the trademarks of all IMFL brands of IFB Agro are transferred to TI. With this acquisition, TI is looking to strengthen its position in the Eastern Indian markets of West Bengal, Assam and Odisha. Besides, the company has entered into an agreement with Pernod Ricard India (PRI) to manufacture PRI's products at its bottling facilities located in Maharashtra and Andhra Pradesh (A.P.) in order to manufacture 50,000 cases per month for PRI. In addition, TI has also entered into an agreement with Mohan Breweries and Distillers Ltd. (MBDL) for assignment of MBDL's trademarks "Brigadier No. 1 Brandy" and "Vorion No. 1" for a period of 25 years. These two brands have together sold 3.20 million cases for the year ended March 2013. The arrangement will help the company to increase its penetration in Tamil Nadu. As per the agreement, TI will be utilizing MBDL's manufacturing and bottling facilities to build upon its existing sales and distribution.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

During FY13 (refers to the period April 1 to March 31), TI posted PAT of Rs.50.34 crore (FY12 – Rs.38.75 crore) on total income of Rs.575.21 crore (FY12 – Rs.449.11 crore). Further, during 9MFY14 (refers to the period April 1 to December 31), TI posted PAT of Rs.44.10 crore (FY12 – Rs.35.49 crore) on total income of Rs.456.96 crore (FY12 – Rs.411.48 crore).

Analyst Contact
Name: Mr. Ravi Kumar Dasari
Tel: 022-67543421
Email: ravi.kumar@careratings.com

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

CONTACT

Head Office Mumbai

Mr. D.R. Dogra
Managing Director
Mobile: +91-98204 16002
E-mail: dr.dogra@carerating.com

Mr. Rajesh Mokashi
Dy. Managing Director
Mobile: +91-98204 16001
E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi
Vice President - Bank Loan & Instrument Rating
Mobile: +91-9819009839
E-mail: meenal.sikchi@carerating.com

Mr. Ankur Sachdeva
Vice President - Bank Loan & Financial Services
Mobile: +91-9819698985
E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:
503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Dinesh Sharma
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-99000 41975
Tel: +91-80-4115 0445, 4165 4529
E-mail: dinesh.sharma@careratings.com

CHANDIGARH
Mr. Sajan Goyal
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Saikat Roy
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Rahul Jain
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 93149 21496
Tel: +91-141-402 0213 / 14
E-mail: rahul.jain@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr. Rahul Patni
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-78754 33355
Tel: +91-20- 4000 9000
E-mail:rahul.patni@careratings.com

CIN - L67190MH1993PLC071691