Empee Distilleries Limited

September 17, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating[3]	Rating Action
Long term Bank Facilities	73.28	**CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)**	Issuer Not Cooperating; Based on Best Available Information
Short Term Bank Facilities	32.45	**CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)**	Issuer Not Cooperating; Based on Best Available Information
Total	**105.73 (Rupees One hundred five crore and seventy three lakhs only)**		
Non-Convertible Debentures	47.50	**CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)**	Issuer Not Cooperating; Based on Best Available Information

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated April 05, 2018 placed the ratings of Empee Distilleries Limited (EDL) under the 'issuer non-cooperating' category as EDL had failed to provide information for monitoring of the rating. EDL continues to be non-cooperative despite repeated requests for submission of information through e-mails and a letter dated August 01, 2019. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

As given in the stock exchange, the company is in the resolution process under Insolvency and Bankruptcy Code (IBC), 2016 as per NCLT order. The rating continues to take into account ongoing delays in debt servicing. During FY18, the company reported loss of Rs. 77 crore on the total income (excluding VAT) of Rs.240 crore.

Detailed description of the key rating drivers

At the time of last rating on April 05, 2018 and June 05, 2018 the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Highly regulated nature of the TN liquor industry:

The IMFL industry in TN is highly regulated and is subject to a convoluted tax structure. From manufacturing through distribution, pricing and advertising, restrictions prevail. The sector under the Constitution is a State subject and accordingly each State/Union Territory has its own policies and taxation regime. State governments are therefore, free to issue their own guidelines to regulate the movement, possession and use of alcohol in their states through licensing mechanism. Tamil Nadu liquor market is highly regulated with production, distribution, retailing and pricing of IMFL products controlled by Tamil Nadu State Marketing Corporation Ltd. (TASMAC), a GoTN entity. TASMAC sets the pricing of the product after consultation with the Industry players; however, price revision generally does not take place frequently.

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

*Issuer did not cooperate; Based on best available information

Significant exposure to group entities:
Over the last few years, EDL has made significant investments by way of equity infusion and loans & advances to its group entities. As on March 31, 2016, the company's non-current investments in group companies aggregated Rs.280 crore as against the company's tangible net worth of Rs.289 crore.

Instances of delays in debt servicing:
The moderation in the performance of EDL coupled with significant exposure to group entities primarily in the form of equity capital and their constrained liquidity position, leading to instances of delays in debt servicing by EDL.

Key Rating Strengths

Improved performance in FY16:
EDL registered a net profit of Rs.2 crore on the total operating income of Rs.326 crore as against loss of Rs.3 crore on the total operating income of Rs.513 crore in 15MFY15. The improvement in profitability parameters were due to increase in procurement prices from Tamil Nadu State Marketing Corporation (TASMAC) and the upward price revision of 21% by TASMAC w.e.f November, 2014. EDL reported net loss of Rs.19 crore on the total operating income of Rs.162 crore in 9MFY17. The losses in 9MFY17 were due to demonetization, dry days announced by the governments in Tamil Nadu, Karnataka and Kerala.

Established brand presence of the Empee group in the Tamil Nadu (TN) market:
The flagship company of the group, EDL, was established in 1983 and is primarily engaged in the manufacturing of Indian Made Foreign Liquor (IMFL) in the states of Tamil Nadu, Kerala and Karnataka. EDL has a licensed capacity of 7.2 million cases per annum, spread among these three states. EDL also produces power through a bio-mass-based power plant of 10 MW capacity in TN.

Analytical approach:
Standalone

Applicable Criteria
Policy in respect of Non-cooperation by issuer
CARE's Policy on Default Recognition
CARE's Criteria on rating outlook and credit watch
Rating Methodology-Manufacturing Companies
Financial ratios (Non-Financial Sector)

About the Company
Promoted in 1983 by Mr M P Purushothaman, EDL is the flagship company of the Empee group mainly engaged in the manufacturing of Indian Made Foreign Liquor (IMFL) in the states of Tamil Nadu (TN), Kerala and Karnataka. EDL has a licensed capacity of around 7.2 million cases per annum, spread among these three states. EDL also produces power through a bio-mass based power plant of 10 MW capacity in TN and has a 60 Kilo Litre per Day (KLPD) grain based alcohol plant in Andhra Pradesh (AP) .The Company is in the resolution process under Insolvency and Bankruptcy Code (IBC), 2016 as per NCLT order.

Brief Financials (Rs. crore)	FY17 (A)*	FY18 (A)*
Total income (excluding VAT)	251.43	240.49
PBILDT	6.83	-8.63
Reported PAT	-51.50	-76.69
Overall gearing (times)	0.55	0.69
Interest coverage (times)	0.24	-0.30

A: Audited; As per IND-AS*

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 2021	36.08	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Cash Credit	-	-	-	37.20	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Letter of credit	-	-	-	3.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	29.45	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Debentures-Non Convertible Debentures	April 27, 2016	14%	April 26, 2021	37.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Debentures-Non Convertible Debentures	September 16, 2016	14%	April 26, 2021	10.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	36.08	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D; ISSUER NOT COOPERATING* (05-Apr-18)	1)CARE D (11-Apr-17)	-
2.	Fund-based - LT-Cash Credit	LT	37.20	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D; ISSUER NOT COOPERATING* (05-Apr-18)	1)CARE D (11-Apr-17)	-
3.	Non-fund-based - ST-Letter of credit	ST	3.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D; ISSUER NOT COOPERATING* (05-Apr-18)	1)CARE D (11-Apr-17)	-
4.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	29.45	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D; ISSUER NOT COOPERATING* (05-Apr-18)	1)CARE D (11-Apr-17)	-
5.	Debentures-Non Convertible Debentures	LT	47.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D; ISSUER NOT COOPERATING* (05-Jun-18) 2)CARE C; Negative; ISSUER NOT COOPERATING* (05-Apr-18)	1)CARE B; Negative (11-Apr-17)	-

**Issuer did not cooperate; Based on best available information*

Note on complexity levels of the rated instrument: *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.*

Contact us

Media Contact
Mradul Mishra
Contact no.: +91-22-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact
Mr. Sudhakar P
Contact no.: +91-44-2850 1000
Email ID: p.sudhakar@careratings.com

Relationship Contact
Mr. Pradeep Kumar
Contact no.: +91-44-2850 1001
Email ID: pradeep.kumar@careratings.com

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks 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. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**