

May 21, 2026

Som Distilleries Private Limited: Ratings downgraded; continue to be on Watch with Negative Implications

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based – Term loan	3.83	23.96	[ICRA]BB+ Rating watch with negative implications; downgraded from [ICRA]BBB- and continue on Rating watch with negative implications
Long-term Fund-based – Cash credit	42.50	42.50	[ICRA]BB+ Rating watch with negative implications; downgraded from [ICRA]BBB- and continue on Rating watch with negative implications
Short Term – Non fund based	23.50	23.50	[ICRA]A4+ Rating watch with negative implications; downgraded from [ICRA]A3 and continue on Rating watch with negative implications
Long Term – Unallocated	46.55	26.42	[ICRA]BB+ Rating watch with negative implications; downgraded from [ICRA]BBB- and continue on Rating watch with negative implications
Total	116.38	116.38	

*Instrument details are provided in Annexure II

Rationale

ICRA had earlier placed the ratings of Som Distilleries Private Limited (SDPL) on Watch with Negative Implications in February 2026, following the suspension of the manufacturing unit licenses of SDPL's production facility in Raisen, Madhya Pradesh, by the State Excise Department in connection with an old legal case.

The ratings downgrade factors in the expected moderation in SDPL's financial performance in Q4 FY2026 and the current fiscal due to the discontinuation of the company's business operations since February 2026. SDPL is primarily manufactures and sells of country liquor and Indian-made foreign liquor (IMFL), demand for which is seasonal, with consumption peaking from Q3 of any fiscal. With the plant shutdown since February 2026, revenue and profitability are expected to be materially lower than ICRA's earlier expectations for this period due to the prolonged closure of the manufacturing facility. Consequently, SDPL's reliance on working capital borrowings has increased considerably in recent quarters, given the high working capital intensity of the business and the funding of ongoing capex for setting up a malt manufacturing plant at its Madhya Pradesh facility, partially funded through debt and internal accruals, indicating limited headroom for additional borrowings. This, coupled with moderation in earnings, is expected to exert pressure on the debt protection metrics over the near term. Consequently, external debt/OPBITDA is likely to increase above 3.0 times in FY2027, reflecting the impact of lower earnings and higher debt. However, liquidity is supported by unencumbered cash of ~Rs. 7-8 crore and continued promoter support, with ~Rs. 43 crore infused as unsecured loans in FY2026. Net cash accruals are expected at ~Rs. 15-20 crore over the medium term; however, internal accruals remain constrained relative to funding requirements, including capex and debt servicing. While repayment obligations remain manageable (Rs. 1-5 crore annually), the absence of cash flow generation during the shutdown period and the high reliance on external funding continue to exert pressure on liquidity. The ability to restore operations and improve cash flows will be critical for liquidity improvement going forward.

The ratings also remain constrained by the intensely competitive and highly regulated alcobev industry. The company is also exposed to geographical concentration risks, with 60-70% of its revenues being derived solely from Madhya Pradesh. The ratings further factor in the vulnerability of the company's margins to volatility in raw material prices, which include rice, maize and glass. The ongoing West Asia crisis has led to the firming up of prices for some of these key materials, which is likely to have some impact on SDPL's operating margins in the current fiscal. ICRA understands that the Honorable High Court of Madhya Pradesh, through its judgement in April 2026, has allowed SDPL to apply for a fresh license for FY2027 for its manufacturing facility. The continuation of the watch with negative implications on the ratings factors in the uncertainty surrounding the resumption of operations, as a material delay can further weaken the company's credit profile.

The ratings, however, draw comfort from SDPL's established business position and the extensive experience of its promoters in the Indian alcoholic beverages (alcobev) industry, primarily in the Country Liquor and Indian-made foreign liquor (IMFL) categories. Business operations have been supported by its well-established brand presence across both categories in key markets such as Madhya Pradesh (MP), Karnataka and Delhi. Over the years, SDPL has witnessed strong growth momentum in revenues and net profits, backed by its established and growing brand presence, diversified product portfolio, and healthy industry demand.

Key rating drivers and their description

Credit strengths

Established operational track record and extensive experience of the promoters in the alcobev industry – The company benefits from an established operational track record and the extensive experience of its promoters in the alcobev industry, with operations spanning over three decades. The company is promoted by the Bhopal-based Arora family. The promoters have demonstrated strong execution capabilities, enabling the company to scale up operations and sustain its presence across multiple product segments and geographies. This long-standing experience has also helped build stable relationships with regulators, suppliers and distribution networks, supporting continuity of operations in a highly regulated environment.

Diversified presence in IMFL, IMIL and ENA – The business profile is supported by a diversified presence across the IMFL, IMIL and ENA segments, which provides revenue stability and reduces dependence on any single product category. While IMIL continues to contribute a significant share of revenues (40-50% contribution), the increasing contribution from IMFL reflects the company's ability to align with evolving consumer preferences towards premium products. Accordingly, the revenue contribution from the IMFL segment increased to ~25% during 9M FY2026 (~14% in FY2025). Additionally, ENA sales provide an alternate revenue stream, supporting overall business resilience.

Favourable demand outlook for industry supports future growth prospects – The company's growth prospects are underpinned by a favourable demand outlook for the industry, supported by rising disposable incomes, a young demographic profile, and increasing urbanisation. The ongoing trend of premiumisation, with consumers shifting from lower to higher value products, is expected to benefit the company's product mix and realisations over the medium term, thereby supporting revenue growth and margin expansion.

Credit challenges

Moderation of the financial risk profile due to extended plant closure – The financial risk profile has moderated due to the extended plant closure at key manufacturing facilities in Madhya Pradesh. The suspension of operations has resulted in the loss of revenue during peak demand periods and lower absorption of fixed costs, thereby impacting profitability and cash flows. Continued uncertainty regarding the timing of license renewal could further pressure earnings and debt coverage metrics in the near term. Consequently, SDPL's External Debt/OPBITDA is likely to increase to above 3.0 times in FY2027, reflecting the impact of lower earnings and higher debt, owing to the near full utilisation of working capital limits. While liquidity remains supported by interest-free unsecured loans infused by the promoters, any prolonged disruption could weaken the adequacy of cash flows to cover fixed costs, thereby necessitating increased reliance on external funding.

Vulnerability to changes in raw material prices – The company’s profitability remains vulnerable to changes in raw material prices, particularly key inputs such as rice, maize and packaging materials. Given the regulated nature of the industry, with limited flexibility to pass on cost increases to consumers, any adverse movement in input costs can directly impact operating margins, especially during periods of high inflation or supply chain disruptions. Further, the ongoing West Asia crisis has led to firming up of prices for some of the key materials which is likely to have some impact on the company’s operating margins in the current fiscal. This, along with the suspension of operations shall result in loss of high-margin sales, along with sub-optimal utilisation of installed capacities, leading to weak absorption of fixed costs, thereby keeping the margins moderate.

Highly regulated alcohol industry and intensely competitive alcohol industry – The Indian alcoholic beverages industry is highly regulated by state governments, which control sales and distribution, making the company susceptible to changes in Government policies. Any change in Government policies with respect to production, distribution, taxation, and state excise duty, or any material change in the duty structure, may impact the industry as well as the company. SDPL’s ability to expand its presence for the CL segment, which is a higher-margin business, is dependent on successful bidding amid intense competition among the industry participants.

Liquidity position: Stretched

SDPL’s liquidity position is stretched due to the absence of current cash flow generation following the halt in operations, with almost full utilisation of working capital limits (~93% average for the past 12 months ending March 2026). Liquidity remains supported by unencumbered cash/bank balances of around Rs. 7 crore as of March 31, 2026, and promoter funding in the form of interest-free unsecured loans. SDPL plans to incur capex of Rs. 35 crore over FY2026-FY2027 for its malt manufacturing facility, of which Rs. 22.5 crore will be debt-funded and the remainder through internal accruals and unsecured loans from the promoters. The majority of this capex is expected to be incurred during the current fiscal following the resumption of operations. While the company does not have any material debt repayment liability (Rs. 5 crore) in FY2027, with the closure of its GECL loan, repayment obligations are expected to be around Rs. 4-4.5 crore in FY2028 if the term debt for the balance capex is drawn down in the current fiscal. ICRA expects the promoter group to continue providing funding support to SDPL in the event of any further material delay in the resumption of operations.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings, in case of timely resumption of manufacturing operations, reducing regulatory uncertainty and restoring business stability and leading to a sustained improvement in revenue, profitability and liquidity position.

Negative factors – ICRA could downgrade the ratings, in case of prolonged delay in resumption of manufacturing operations, leading to weakening of the company’s financial risk profile.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financials of SDPL.

About the company

SDPL is the oldest company of the Bhopal-based Som Group, established in 1986 by Mr. J. K. Arora. The company manufactures and sells extra neutral alcohol (ENA), country liquor or Indian-made Indian liquor (CL/IMIL), and Indian-Made foreign liquor (IMFL). SDPL operates an integrated distillery for manufacturing alcohol and produces ENA mainly from broken rice and occasionally from molasses. It has a manufacturing plant at Village Sehatganj, Raisen Road, Distt Raisen, Madhya Pradesh. The company mainly caters to the mass segment, and CL/IMIL has been the major contributor to the company's revenues over the years, with an increased contribution from the IMFL segment in FY2026.

Key financial indicators (audited)

SDPL (Standalone)	FY2024	FY2025	9MFY2026*
Operating income	466.0	462.7	419.9
PAT	6.6	7.6	7.6
OPBDIT/OI	4.8%	5.3%	6.5%
PAT/OI	1.4%	1.6%	2.4%
Total outside liabilities/Tangible net worth (times)	2.0x	1.5x	1.6x
Total debt/OPBDIT (times)	3.6x	3.4x	3.5x
External debt ^/OPBDIT (times)	1.8x	2.1x	2.0x
Interest coverage (times)	4.8x	6.4x	7.7x

Source: Company, ICRA Research; * Results; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Brickworks has kept the ratings under Issuer Not Cooperating category at BWR C/A4 via its press release dated April 10, 2025

Any other information: None

Rating history for past three years

Current rating (FY2027)		Chronology of rating history for the past 3 years							
		FY2027		FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	May 21 2026	Date	Rating	Date	Rating	Date	Rating
Cash credit	Long-Term	42.50	[ICRA]BB+; Rating Watch with Negative Implications	May 02, 2025	[ICRA]BBB- (Stable)	June 25, 2024	[ICRA]BBB-; Rating Watch with Negative Implications	Aug 14, 2023	[ICRA]BBB- (Stable)
				February 16, 2026	[ICRA]BBB-; Rating Watch with Negative Implications	October 18, 2024	[ICRA]BBB-; Rating Watch with Negative Implications	Nov 20, 2023	[ICRA]BBB- (Stable)
Fund-based Term loan	Long-Term	23.96	[ICRA]BB+; Rating Watch with Negative Implications	May 02, 2025	[ICRA]BBB- (Stable)	June 25, 2024	[ICRA]BBB-; Rating Watch with Negative Implications	Aug 14, 2023	[ICRA]BBB- (Stable)
				February 16, 2026	[ICRA]BBB-; Rating Watch with Negative Implications	October 18, 2024	[ICRA]BBB-; Rating Watch with Negative Implications	Nov 20, 2023	[ICRA]BBB- (Stable)

LC/BG*	Short-Term	23.50	[ICRA]A4+; Rating Watch with Negative Implications	May 02, 2025	[ICRA]A3	June 25, 2024	[ICRA]A3; Rating Watch with Negative Implications	Aug 14, 2023	[ICRA]A3
			February 16, 2026	[ICRA]A3; Rating Watch with Negative Implications	October 18, 2024	[ICRA]A3; Rating Watch with Negative Implications	Nov 20, 2023	[ICRA]A3	
Unallocated	Long-Term	26.42	[ICRA]BB+; Rating Watch with Negative Implications	May 02, 2025	[ICRA]BBB- (Stable)	June 25, 2024	[ICRA]BBB-; Rating Watch with Negative Implications	Aug 14, 2023	[ICRA]BBB- (Stable)
			February 16, 2026	[ICRA]BBB-; Rating Watch with Negative Implications	October 18, 2024	[ICRA]BBB-; Rating Watch with Negative Implications	Nov 20, 2023	[ICRA]BBB- (Stable)	

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI

6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	Simple
Long-term – Fund-based – Cash credit	Simple
Short-term – Non-fund based	Simple
Long-term – Unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Cash credit	-	-	-	42.50	[ICRA]BB+; Rating Watch with Negative Implications
NA	Term loans	April 2017	-	March 2027	23.96	[ICRA]BB+; Rating Watch with Negative Implications
NA	LC/BG	-	-	-	23.50	[ICRA]A4+; Rating Watch with Negative Implications
NA	Unallocated	-	-	-	26.42	[ICRA]BB+; Rating Watch with Negative Implications

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure III: List of entities considered for consolidated analysis – Not Applicable

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