

May 11, 2017

Adie Broswon Breweries Private Limited

Instrument [^]	Amount (in crore)	Rating Action*
Long-term Fund based	81.14	[ICRA]B+ (Stable); Reaffirmed
Long-term: Unallocated	24.31	
Short-term: Non-fund based	7.00	[ICRA]A4; Reaffirmed

* Issuer did not co-operate; based on best available information

[^]Instrument Details captured under Annexure-1

Rating Action:

ICRA has reaffirmed the long-term rating of [ICRA]B+ (pronounced ICRA B plus), and short-term rating of [ICRA]A4 (pronounced ICRA A four) for the Rs.112.45-crore¹ fund based and non-fund based limits of Adie Broswon Breweries Private Limited (ABB)[†]. The outlook on the long-term rating is Stable.

Rationale

As part of its process and in accordance with its rating agreement with ABB, ICRA has been trying to seek information from the company so as to undertake a surveillance of the ratings, but despite repeated requests by ICRA, the company's management has remained non-cooperative. In the absence of requisite information, ICRA's Rating Committee has taken a rating view based on best available information. In line with SEBI's *Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016*, the company's rating is now denoted as: “[ICRA] B+ / [ICRA]A4 (Stable) ISSUER NOT COOPERATING”. The lenders, investors and other market participants may exercise appropriate caution while using this rating, given that it is based on limited or no updated information on the company's performance since the time it was last rated.

Key rating drivers

Credit strengths

- Raw material pass on clause with SAB Miller insulates the margins against the raw material price fluctuations to a large extent
- Part of Chadha Group of companies which has strong presence in the liquor trading business
- Increasing the geographical footprint for home brewed beer 'Rockberg'

¹ 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

Credit weaknesses

- Weak capital structure and coverage indicators
- Low profitability levels
- Exposed to inherent business risk associated with operating in the liquor industry – taxes and other regulatory changes

Description of key rating drivers:

ABB runs a brewery unit in Gurdaspur area of Amritsar, Punjab which got operational in May 2012. The brewery has a capacity of 5 lakh hectolitre per annum (i.e. 500 lakh cases per annum) and is catering to Skol Breweries Limited (SBL). Further, the facilities are also being used to manufacture the company's own brand of beer "Rockberg". ABB has entered into a 10 year contract manufacturing agreement with Skol Breweries Limited (SBL) to employ portion of its total capacity towards manufacturing of SAB Miller's two renowned beer brands. ABB has significant debt and interest obligations owing to the debt funded capital expenditure made in the past. With losses made in FY2014 and FY2015, the company has infused unsecured loans in FY2014 to the tune of Rs. 19.42 crore and in FY2015 infused capital to the tune of Rs. 19.73 crore, enabling them to service the debt obligations. In FY2016, the company has issued additional equity worth Rs.5 crore. The rating remains constrained by the fact that the liquor industry is highly regulated in nature, which attracts high duties and taxes and is exposed to changes in state policies governing sale, distribution and pricing of liquor.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below:

Links to applicable Criteria

[Corporate Credit Rating Methodology](#)

About the Company:

ABB was incorporated in March, 2010 and is engaged in brewing beer at its manufacturing facility located in Amritsar, Punjab. The company is a part of the Late Mr. Hardeep Chadha Group. The company has an installed capacity for manufacturing and brewing 5 lakh hector liters of beer per annum. ABB also undertakes contract manufacture for SBL. The company has also recently launched its own beer brand- "Rockberg".

Rating History for last three years:

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the Past 3 years		
		Type	Rated amount	Month-year & Rating	Month- year and Rating in		
			(Rs. Crores)	May 2017	FY2016	FY2015	FY2014
					November 2015	October 2014	March 2013
1	Fund based	Long-term	81.14	[ICRA]B+ (Stable)	[ICRA]B+	[ICRA]B	[ICRA]B
2	Unallocated	Long-term	24.31	[ICRA]B+ (Stable)	[ICRA]B+	[ICRA]B	[ICRA]B
3	Non-fund based	Short-term	7.00	[ICRA]A4	[ICRA]A4	[ICRA]A4	[ICRA]A4

Note on complexity levels of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instruments

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Long-term Fund based	NA	-	NA	81.14	[ICRA]B+ (Stable);
Long-term: Unallocated	-	-	-	24.31	
Short-term: Non-fund based	-	-	-	7.00	[ICRA]A4

Source: ABB



For further details, please contact:

Analyst Contacts

Manish Ballabh

+91 124 4545 812

manish.ballabh@icraindia.com

Sugandha Arora

+91 24 4545 398

sugandha.arora@icraindia.com

Vipin Jindal

+91 24 4545 355

vipin.jindal@icraindia.com

Sabyasachi Majumdar

+91 124 4545 304

sabyasachi@icraindia.com

Relationship Contacts

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500