

### Brew Force Technologies: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Overdraft	5.00	SMERA BB/Stable (Assigned)
Inland Letter of Credit*	10.00	SMERA A4+ (Assigned)

\*Rs. 2.00 crore Bank Guarantee as a Sub Limit to Inland Letter of Credit

SMERA has assigned a long term rating of **SMERA BB (read as SMERA double B)** on the Rs.5.00 crore and short term rating of **SMERA A4+ (read as SMERA A four plus)** on the Rs.10.00 crore bank facilities of Brew Force Technologies (BFT). The outlook is '**Stable**'.

The ratings derive comfort from the experienced management and prudent financial risk profile reflected in the comfortable gearing and healthy coverage indicators. The ratings are constrained by the susceptibility of operating income to risks associated with the project based nature of activities and regulatory framework affecting the liquor industry.

The ratings derive comfort from the extensive experience of Mr. Balbir Singh Malhotra and Mr. Pritam Singh Malhotra of over a decade in the brewery and distillery business and strategic synergies with market leaders such as Meccanica Spadoni SRL (MSS) and Corosys process systems. BFT is the official representative and sole distributor of MSS' products in India. MSS has been one of the largest suppliers of beer filters in the world for over six decades. The ratings also draw comfort from BFT's reputed clientele. The firm has set up breweries for several market leaders including Diageo and UB Group among several others.

BFT maintains a capital structure marked by gearing of 0.89 times as on 31 March, 2016 as against 1.96 times as on 31 March, 2015. The improvement in gearing was primarily on account of a decline in short term borrowings. The firm reported a total outstanding debt of Rs. 7.58 crore as on 31<sup>st</sup> March, 2016 (Rs. 9.98 crore as on 31 March, 2015) – out of which Rs.2.58 crore was the outstanding long term debt as on 31 March, 2016 (Rs.2.48 crore as on 31 March, 2015).

The debt protection metrics are healthy with a Net Cash Accrual to Total Debt ratio of 0.22 times in FY2016 (0.21 in FY2015). The interest coverage ratio was 2.62 times during FY2016 (4.71 times in FY2015). The coverage ratios continue to remain healthy.

However, the ratings are constrained by risks associated with the order based nature of business and exposure to regulatory risk in the industry. The regulatory framework governing the liquor industry is likely to influence the operations and the capex plans of the industry players. This is expected to have an impact on Brewforce. BFT's revenue declined from Rs.139.40 crore in FY2015 to Rs.55.81 crore in FY2016 on account of the liquor ban in Bihar resulting in project cancellations in the state. The ratings also factor in the pressure on profitability margins. The firm reported Profit After Tax (PAT) margin of 1.60 per cent in FY2016 against 1.12 per cent in FY2015.

#### Outlook: Stable

SMERA believes that BFT will maintain a 'Stable' outlook on account of its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case of improvement in the scale of operations and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the capital structure or if the firm takes on any large debt funded capex.

### Rating Sensitivity Factors

- Sustaining scale of operations
- Movement in profitability indicators
- Capital structure and working capital management
- Order book
- Regulatory framework

### Criteria applied to arrive at the ratings

- Manufacturing Entities

### About the Firm

BFT, a New Delhi based partnership firm was established in 2008 by Mr. Balbir Singh Malhotra and Mr. Pritam Singh Malhotra. The firm is engaged in the execution of brewery projects on a turn-key basis and has overseas operations in Ghana, Tanzania, Nepal among others.

In FY2016 BFT reported Profit After Tax (PAT) of Rs.0.90 crore on an operating income of Rs.55.81 crore against PAT of Rs.1.56 crore on operating income of Rs.139.40 crore in FY2015. The networth of the firm stood at Rs.8.47 crore as on 31 March, 2016 as against Rs.5.09 crore as on 31 March, 2015.

### Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: <a href="mailto:suman.m@smera.in">suman.m@smera.in</a>

### ABOUT SMERA

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