

Kalpatharu Breweries & Distilleries Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	5.00	SMERA B+/Stable (Assigned)
Term Loan	3.00	SMERA B+/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B+**' (**read as SMERA B plus**) to the Rs.8.00 crore long term bank facilities of Kalpatharu Breweries & Distilleries Private Limited (KBDPL). The outlook is '**Stable**'. The rating is constrained by the modest scale of operations, weak financial risk profile and low profitability in the highly regulated liquor industry. However, the ratings draw support from the experienced management and established presence of the company in southern India.

KBDPL was established by Mr. S. Kantappa and family in 2009. The company manufactures Indian Made Foreign Liquor (IMFL) i.e whisky, vodka, brandy, rum etc. The weak financial risk profile of KBDPL is marked by high gearing of 4.17 times as on March 31, 2016 as compared to 20.52 times as on March 31, 2015 mainly due to the company resorting to short term borrowings to fund working capital requirements. The interest coverage ratio has been at 1.37 times and DSCR at 0.77 times in FY2016. The net-worth stands low at Rs.3.65 crore in FY2016 as against Rs.0.69 crore in FY2015. The company has booked revenue of Rs.16.77 crore in FY2016 as against Rs.10.07 crore in FY2015. The revenues are modest inspite of a track record of almost a decade. Moreover the company has reported negative PAT of Rs.(0.11) crore in FY2016 against Rs.(0.38) crore in FY2015 because of high excise duty. The rating also factors in the business risks associated with the liquor industry due to high duties, tax laws and stringent government regulations.

However, KBDPL benefits from its promoter's extensive experience in the liquor industry. Mr S. Kantappa, the founder has 30 years experience as a wholeseller, retailer and manufacturer in the liquor industry. KBDPL has established presence in southern India as a liquor manufacturing company and owns about 30 retail shops spread across Bengaluru, Bellary, Chitradurga to name a few.

Rating Sensitivity Factors

- Sustained improvement in revenue
- Significant improvement in the profitability levels
- Improvement in the capital structure

Outlook - Stable

SMERA believes that KBDPL will maintain a stable outlook in the medium term owing to its promoters' extensive experience in the liquor industry and established presence in south India. The outlook may be revised to 'Positive' if the company registers more than expected revenues while improving profitability and net cash accruals. However, the outlook may be revised to 'Negative' if the company fails to achieve expected revenues, profitability or if the capital structure further deteriorates.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

KBDPL is engaged in the manufacture of Indian made foreign liquor (IMFL) in Bengaluru, Karnataka. The company manufactures whisky, vodka, brandy, to name a few at its manufacturing facilities located on the outskirts of Bangalore. The day-to-day operations are managed by Mr. Lingaraj who is well supported by an experienced team of qualified professionals.

For FY2016, KBDPL reported PAT of Rs (0.11) crore on operating income of Rs.16.77 crore as compared with PAT of Rs (0.38) crore on operating income of Rs 10.07 crore in the previous year.

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ABOUT SMERA

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