

Press Release

Oasis Commercial Private Limited (OCPL)

19 January, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.119.16 Cr
Long Term Rating	SMERA BBB-/Stable (Assigned)
Short Term Rating	SMERA A3 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned a long term rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) and a short term rating of '**SMERA A3**' (**read as SMERA A three**) to the Rs.119.16 crore bank facilities of Oasis Commercial Private Limited (OCPL). The outlook is '**Stable**'.

SMERA has consolidated the financial and business risk profile of Oasis Distilleries Limited (ODL), Malbros International Private Limited (MIPL), Oasis Commercial Private Limited (OCPL), Oasis Overseas Exports Private Limited (OOEPL), Vijeta Beverages Private Limited (VBPL) and Om Sons Marketing Private Limited (OSMPL) together referred to as the 'Oasis Group' (OG). The consolidation is in view of the common ownership and operational linkages within the group.

OG is engaged in the business of manufacturing and trading of liquor and Extra Natural Alcohol (ENA) in Madhya Pradesh, Punjab, Haryana, Rajasthan and Chandigarh.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations: The Oasis Group (OG), established in 1980 by Mr Malhotra and family has interests in liquor and hospitality industries. The group is engaged in the manufacture and trading of Extra Neutral Alcohol and County Liquor & IMFL. SMERA believes that OG will continue to benefit from its management's long standing experience in the liquor industry. The scale of operations is healthy. The group reported operating income of Rs.1,633.56 crore in FY2016 as compared to Rs. 1,315.72 crore in FY2015.

Comfortable financial risk Profile: The financial risk profile is marked by comfortable debt protection` metrics. The Interest coverage indicator remained healthy at 2.36 times in FY2016 as against 2.21 times in FY2015. OG continued to report a comfortable Debt Service Coverage Ratio (DSCR) of 1.43 times in FY2016 as compared to 1.29 times in FY2015. The gearing improved to 1.80 times as on 31st March, 2016 from 2.28 times on 31st March, 2015 and the overall financial leverage of the group continued to remain modest. SMERA expects the gearing to improve over the medium term on account of the healthy internal accruals.

Well established market position: OG also continues to benefit from its well established business model and value chain. The group has integrated its operations backward by entering into the business of manufacturing Extra Neutral Alcohol (ENA) from grain. The group has also integrated forward by running over 390 retail liquor vends in Punjab. SMERA believes that OG's profitability indicators will continue to remain comfortable over the medium term.

Weaknesses:

Exposure to regulatory risk: The rating, however, is constrained by the group's exposure to adverse regulatory changes in the liquor industry. With substantial amount of liquor sales concentrated in Punjab, non-allotment of retail vends and/or changes in regulations can impact the operating performance and profitability of the group.

Exposure to volatility in raw material prices: OG is also exposed to volatility in raw material (grain) prices. Grains are an agricultural commodity. The prices are prone to fluctuation from season to season based on demand and supply conditions. The highly competitive nature of the liquor and ENA industry hinders OG's ability to pass on changes in raw material prices to the end customer.

Analytical approach: Consolidation of group entities as stated above.

Applicable criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>
- Consolidation - <https://www.smera.in/criteria-consolidation.htm>

Outlook: Stable

SMERA believes that OG will maintain a stable outlook on account of its experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of substantial improvement in debt protection metrics, coupled with sustained increase in profitability indicators. Conversely, the outlook may be revised to 'Negative' in case of unfavourable changes in regulations/substantial deterioration in the debt-equity ratio or coverage indicators.

About the Group

The Oasis Group, established in 1995 by Mr. Deep Malhotra is engaged in the manufacture of Extra Neutral Alcohol (ENA) and trades in liquor. The group owns five grain based distilleries (in Punjab, Haryana and Madhya Pradesh), three bottling units (in Punjab, Rajasthan and Madhya Pradesh) and 390 retail liquor vends across India.

In FY2016, OG reported Profit After Tax (PAT) of Rs.39.86 crore on operating income of Rs.1,636.56 crore against PAT of Rs.23.68 crore in FY2015 on operating income of Rs.1,315.72 crore.

About the Rated Entity

Oasis Commercial Private Limited (OCPL) was incorporated in 2006. It was taken over by the Malhotra Group from the Chaddha Group. In May 2013, the company acquired a new distillation unit with an installed capacity of 120 KLPD (90% capacity Utilization in FY2016) of ENA from A.B. Grain Spirits Private Limited. The unit is located in Ambala, Haryana.

The company has a 9 MW biomass based power plant for meeting its own power generation requirements. It has a surplus capacity of 5 MW – which it sells to Haryana Power Purchase Centre at a fixed tariff of Rs. 7.20 per unit.

In FY2016, OCPL reported a Profit After Tax (PAT) of Rs. 13.37 crore on an operating income of Rs.212.72 crore against a PAT of Rs. 5.92 crore on an operating income of Rs.188.55 crore in FY2015.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan – I	LT	59.13	SMERA BBB-/Stable (Assigned)	-	-	-	-	-	-
Term Loan – II	LT	11.00	SMERA BBB-/Stable (Assigned)	-	-	-	-	-	-
Term Loan – III	LT	0.03	SMERA BBB-/Stable (Assigned)	-	-	-	-	-	-
Packing Credit	ST	20.00	SMERA A3 (Assigned)	-	-	-	-	-	-
Cash Credit	LT	25.00	SMERA BBB-/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	2.00	SMERA A3 (Assigned)	-	-	-	-	-	-
Letter of Credit	ST	2.00	SMERA A3 (Assigned)	-	-	-	-	-	-

***Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan - I	N.A	N.A	31 st March, 2020	59.13	SMERA BBB-/Stable (Assigned)
Term Loan - II	N.A	N.A	31 st March, 2022	11.00	SMERA BBB-/Stable (Assigned)
Term Loan - III	N.A	N.A	31 st March, 2017	0.03	SMERA BBB-/Stable (Assigned)
Packing Credit	N.A	N.A	N.A	20.00	SMERA A3 (Assigned)
Cash Credit	N.A	N.A	N.A	25.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	2.00	SMERA A3 (Assigned)
Letter of Credit	N.A	N.A	N.A	2.00	SMERA A3 (Assigned)

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>
Contacts:

Analytical	Rating Desk
Mr. Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Mr. Arindam Som, Rating Analyst, Tel: 011-49731321 Email: arindam.som@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.