

## Press Release

### Oasis Distilleries Limited

October 05, 2020

#### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 45.18 crore
<b>Long Term Rating</b>	ACUITE BBB/ Outlook: Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A3+ (Reaffirmed)

\* Refer Annexure for details

#### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on Rs. 45.18 crore bank facilities of Oasis Distilleries Limited (ODL). The outlook is '**Stable**'.

Incorporated in 1987 ODL was later acquired by the Malhotra family in 1995 and became a part of the Oasis group. The company is engaged in manufacturing of country liquor in Madhya Pradesh with the plant capacity of 50 Kilo Litres Per Day (KLPD). Further, the company also operates two bottling plants located at Ferozpur and Chandigarh where it blends various varieties of Indian Made Foreign Liquor. ODL has entered into a number of strategic bottling tie-ups in Andhra Pradesh, Kerala, Orissa, Himachal Pradesh and Jammu & Kashmir.

The company is a part of the business group, hereinafter referred to as Oasis group (OG) comprising 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).

#### About the group

**Malbros International Private Limited (MIPL):** MIPL was incorporated in 1988 and installed a distillery unit in 2004. It has a grain based distillery in Ferozpur (Punjab) with the installed capacity of 100 Kilo liters per day (KLPD) and a bottling plant with installed capacity of bottling 33 lakh cases per annum (PA). Recently in FY 18-19 the company has installed the Ethanol production facility within the exiting unit which gives more flexibility to optimize the production capacity.

**Oasis Commercial Private Limited (OCPL):** OCPL was incorporated in 2006. In May 2013, the company acquired a new distillation unit with an installed capacity of 120 KLPD of Extra Neutral Alcohol (ENA) from Chaddha group. The unit is located in Ambala (Haryana). The company has a 9 MW biomass based power plant which is partly used for its own power requirements and for balance 5 MW OCPL has power purchase agreement (PPA) with Haryana Power Purchase Centre. Tariff for power purchase in year 2019 was Rs. 7.20 per unit. The unit is further added with Ethanol Manufacturing facilities in December 2018 and now this unit is capable of producing Either ENA or Ethanol both as per requirements.

**Oasis Overseas Export Private Limited (OOEPL):** OOEPL was incorporated in 2007 as Adie Broswn Distillers & Bottlers Private Limited and acquired by the Malhotra group in 2014. The company has a grain based distillery in Ambala (Haryana) with installed capacity of 120 KLPD. The company is mainly engaged in the manufacturing of ENA, Country Liquor and IMFL.

**Vijeta Beverages Private Limited (VBPL):** VBPL was incorporated in 2004 and was acquired by the Malhotra group in 2012. VBPL is engaged in trading of IMFL through approximately 639 vends in FY20. Further, the company has a bottling plant in Jaipur (Rajasthan) with installed capacity of 10.56 lakh cases per annum.

#### Om Sons Marketing Private Limited (OSMPL):

OSMPL was incorporated in 2007 and is engaged in the business of distilling and trading of liquor. The company has an installed capacity of 100 KLPD. The company also engaged mainly in the

manufacturing of ENA, Country Liquor and IMFL. This unit has also added Ethanol facility in FY 19-20.

### **Analytical Approach**

Acuite 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, cross corporate guarantees extended by the group companies for bank facilities and strong operational and financial linkages within the group. Extent of Consolidation: Full.

### **Key Rating Drivers**

#### **Strengths**

- **Experienced management and reputed clientele**

The Oasis group commenced its operations in 1980's under the lead of Mr. Deep Malhotra and his family and thus the group boasts a long track record of operations of four decades in the Alcohol manufacturing and trading industry. Currently, the day-to-day operations of the group are managed by Mr. Gautam Malhotra, Miss Dimpy Malhotra and Mr. Gauravh Malhotra along with other industry veterans with an experience of over two decades in the aforementioned industry. The group is well supported by the second line of the experienced management team. Established presence of the group along with experienced management, has helped OG maintain a long relationship with its customers which has aided the group in maintaining healthy revenue levels as reflected by the operating income of Rs. 1592.11 crore in FY2020 (Provisional) as against Rs. 1562.50 crore in FY2019. The group has benefitted by the guidance of its promoters which is further exemplified by many awards won by the brands owned by the group, for instance, the own flagship brand 'All Seasons Whisky' has won awards such as Sommelier International Wine and Spirits (Gold) in 2017, The Asian Spirits Masterclass Award (London) in 2017 and International Spirits Competition Gold award in 2017. Group owns other brands including OPM Triple Distilled Luxury Spirited Russian Vodka, which has been awarded Berlin International Spirits Competition Silver Awards 2018 (Germany), The Asian Spirit Master 2018 Gold (London), among other awards.

The group via Vijeta Beverages Private Limited currently operates around 639 vends for the trading of liquor located in Punjab.

In October 2018, Oasis group began the production of Ethanol in through its three entities in the group viz. Om Sons Marketing Private Limited, Malbros International Private Limited and Oasis Commercial Private Limited with an installed capacity of 3.20 lakh litres per day. The ethanol produced by the group is supplied to major oil companies like Hindustan Petroleum Corporation Limited, Bharat Petroleum Corporation Limited and Indian Oil Corporation limited among others. In addition to the aforementioned, OG caters to reputed clientele such as Kerala State Corporation Limited, United Spirits Limited and Karnataka State Beverages Corporation Limited, to name a few.

Acuite believes Oasis group will continue to benefit from its long track of operations, a strong presence of the group in the domestic market and the rich experience of the management over the medium term.

- **Healthy Financial risk profile**

The financial risk profile of group stood healthy marked by healthy net worth, comfortable gearing and healthy coverage indicators. The tangible net worth of OG stood healthy at around Rs. 473.71 crores as on 31 March, 2020 (Provisional) as against Rs. 433.40 crores as on 31 March, 2019 on the back of healthy accretion to reserves, which in turn is a result of healthy profitability levels maintained by the group over the years.

The group has followed a conservative financial policy in the past, which is reflected by its peak gearing levels of 1.20 times as on March 31, 2017. The current gearing (debt-to-equity) stands at 0.73 times as on 31 March, 2020 (Provisional) and 0.81 times in the previous year. The gearing levels of the group have remained in the above mentioned range attributing to the minimal capital expenditure incurred towards the acquisition of latest machinery and expansion of the installed capacities. The total outside liabilities to total net worth (TOL/TNW) ratio stands at 1.62 times as on 31 March, 2020 (Provisional) and 1.73 times as on 31 March, 2018. The total debt of Rs. 346.56 crore as on 31 March, 2020 (Provisional), consists of term loans of Rs.67.13 crores, working capital borrowings of Rs. 235.23 crores and Rs. 44.20

crores of unsecured loans from promoters. The Debt protection metrics of the group have remained healthy marked by the interest coverage ratio 3.53 times as on 31<sup>st</sup> March 2020 (Provisional) as against 2.82 times in the previous year and the debt service coverage ratio of 1.70 times as on 31<sup>st</sup> March 2020 (Provisional) compared to 1.55 times in the previous year.

The net cash accruals to total debt (NCA/TD) stood comfortable at 0.22 times for FY2020 (Provisional). The group reported healthy net cash accruals (NCA) of ~Rs. 74.69 crore in FY2020 and Rs. 75.41 crores in FY2019. Acuité believes that the group will be able to sustain its existing financial risk profile in near to medium term backed by established presence in the Industry, extensive experience of promoters, healthy net cash accruals to support any major debt-funded capital expenditure.

### Weaknesses

- **Moderately Intensive Working Capital Operations**

OG's operations are moderately working capital intensive in nature as reflected by its gross current asset (GCA) days of around 179 days as on March 31, 2020 (Provisional) as against 169 days in the previous year. The working capital cycle remains intensive on account of increment in the inventory days of the group standing at 74 days in FY2020 (Provisional) as against 61 days in FY2019. The debtor collection period of the group is around 66 days for FY2020 (Provisional) as against 65 days in the previous year. In addition to the above, the creditor payback period of OG stands at 76 days in FY2020 (Provisional). Acuité expects the operations of the group to remain working capital intensive on account of moderately high inventory levels maintained by the group.

- **Exposure to heavy regulatory risk**

The Indian alcohol industry is highly regulated at almost every stage in the value chain. Moreover, every state has its set of regulations with respect to distribution and retail channels, registration, taxation, and pricing of alcohol. The industry is expected to remain highly regulated by the government going forward, exposing the business risk profile to adverse regulatory changes. Furthermore, players within the industry are susceptible to high excise duties; any adverse change in excise duties can weaken profitability, and consequently, affect its credit risk profile.

### Rating Sensitivity

- Significant improvement in operating revenue and profitability
- Further deterioration in working capital or any major debt funded capex

### Material Covenants

None

### Liquidity position: Adequate

OG has adequate liquidity marked by healthy net cash accruals to maturing debt obligations. The group generated cash accruals of Rs. 74.69 crore in FY2020 (Provisional) as against maturing debt obligations of Rs. 26.78 crores during the same period whereas generating net cash accruals of Rs. 75.41 crores as against maturing debt obligations of Rs. 29.28 crores in FY2019. The cash accruals of the group are estimated to remain around Rs.63.41 crore to Rs.65.91 crore during 2021-22 against repayment obligations ranging from Rs. 16.43 crores to Rs. 30.44 crores during the same period. The group's working capital operations is intense, marked by the gross current asset (GCA) days of 179 days for FY2020 (Provisional). Further, the bank limits of the group are utilized at an average of 90 percent in the last 6 months ending on 31<sup>st</sup> May 2020. The group maintains unencumbered cash and bank balances of Rs.30.21 crore as on 31 March 2020 (Provisional). The current ratio stands at 1.56 times as on 31 March 2020 (Provisional). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy net cash accruals to debt repayments over the medium term.

### Outlook: Stable

Acuité believes that OG will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in its revenues and profitability while maintaining its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the group registers lower-than-expected growth in revenues and profitability or in case of deterioration in the group's financial risk profile or significant elongation in the working capital cycle.

**About the Rated Entity - Key Financials**

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	1592.11	1562.50
PAT	Rs. Cr.	40.31	43.34
PAT Margin	(%)	2.53	2.77
Total Debt/Tangible Net Worth	Times	0.73	0.81
PBDIT/Interest	Times	3.53	2.82

**Status of non-cooperation with previous CRA (if applicable)**

Not Applicable

**Any other information**

Not Applicable

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Consolidation of companies - <https://www.acuite.in/view-rating-criteria-60.htm>

**Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History (Up to last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-July-2020	Cash Credit	Long Term	30.00	ACUITE BBB/ Stable (Reaffirmed)
	Stand by line of credit	Long Term	4.50	ACUITE BBB/ Stable (Reaffirmed)
	Proposed Facility	Long Term	5.93 (Revised from Rs. 0.23 Cr.)	ACUITE BBB/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.75	ACUITE A3+ (Reaffirmed)
	Term Loan-I	Long Term	4.45	ACUITE BBB (Withdrawn)
	Term Loan-II	Long Term	1.25	ACUITE BBB (Withdrawn)
26-Mar-2019	Term Loan-I	Long Term	1.05	ACUITE BBB (Withdrawn)
	Term Loan-II	Long Term	4.45 (Revised from Rs. 6.77 cr)	ACUITE BBB/ Stable (Reaffirmed)
	Term Loan-III	Long Term	1.25 (Revised from Rs. 2.27 cr)	ACUITE BBB/ Stable (Reaffirmed)
	Cash Credit	Long Term	30.00 (Revised from Rs. 20.66 cr)	ACUITE BBB/ Stable (Reaffirmed)
	Stand by line of credit	Long Term	4.50	ACUITE BBB/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.75	ACUITE A3+ (Reaffirmed)
	Proposed Facility	Long Term	0.23	ACUITE BBB/ Stable (Assigned)
30-Jan-2019	Term Loan-I	Long Term	1.05	ACUITE BBB/ Stable (Upgraded from ACUITE BBB-/Stable)
	Term Loan-II	Long Term	6.77	ACUITE BBB/ Stable (Upgraded from

				ACUITE BBB-/Stable)
	Term Loan-III	Long Term	2.27	ACUITE BBB/ Stable (Upgraded from ACUITE BBB-/Stable)
	Cash Credit	Long Term	20.66	ACUITE BBB/ Stable (Upgraded from ACUITE BBB-/Stable)
	Stand by line of credit	Long Term	4.50	ACUITE BBB/ Stable (Upgraded from ACUITE BBB-/Stable)
	Bank Guarantee	Short Term	4.75	ACUITE A3+ (Upgraded from ACUITE A3)

#### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB/ Stable (Reaffirmed)
Stand by line of credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BBB/ Stable (Reaffirmed)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	5.93	ACUITE BBB/ Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.75	ACUITE A3+ (Reaffirmed)

#### Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Nikhilesh Pandey Rating Analyst - Rating Operations Tel: 011-4973 1304 <a href="mailto:nikhilesh.pandey@acuite.in">nikhilesh.pandey@acuite.in</a>	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

#### About Acuité Ratings & Research:

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