Press Release

Vijeta Beverage Private Limited

December 10, 2018

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 90.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-' (read as ACUITE triple B minus)** and short term rating of **'ACUITE A3' (read as ACUITE A three)** to the Rs. 90.00 crore bank facilities of Vijeta Beverage Private Limited (VBPL). The outlook is **'Stable'**.

VBPL was incorporated in 2004 and acquired by the Malhotra group in 2012. VBPL is engaged in trading of IMFL. Further, it has a bottling plant in Jaipur (Rajasthan) with installed capacity of 10.56 lakh cases P.A.

Analytical Approach

Acuité 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.

Key Rating Drivers

Strengths

- **Long track record of operations, experienced management and healthy business risk profile**

  OG was established in 1980's by Mr. Deep Malhotra and his family. Presently, the day-to-day operations are managed by Mr. Gautam Malhotra and Mr. Gauravh Malhotra along with others. The group has undertaken backward and forward integration initiative to cover the entire liquor value chain. The group has five distillery units and six bottling plants spread across Madhya Pradesh, Punjab, Rajasthan, Haryana, and Chandigarh. The group owns and runs 655 retail vends in Punjab under Vijeta Beverages Private Limited. Further, Oasis Distilleries Limited has exclusive distributorship of country liquor in six districts of Madhya Pradesh.

  The group has healthy scale of operations marked by consolidated turnover of Rs.1479.69 crore for FY2018 as compared to Rs. 1390.37 crore for FY2017. The group own flagship brand 'All Seasons Whisky', which has won awards such as Sommelier International Wine and Spirits 2017 (Gold), The Asian Spirits Masters Silver Awards 2017 (London), International Spirits Competition Gold Awards 2017 among others. 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 has healthy net cash accrual of Rs.66.30 crore in FY2018 as compared to Rs.65.45 crore in FY2017. Further, the operations are diversified to five states largely mitigating the regulatory risk of change in any one state government policy. Acuité believes that OG will continue to benefit from its management's long standing experience and established market position in the liquor industry.

- **Comfortable financial risk profile**

  OG has comfortable financial risk profile marked by consolidated net worth of Rs.286.77 crore as on

March 31, 2018 as compared to Rs.248.31 crore on March 31, 2017. The tangible net worth includes unsecured loans from promoters to the tune of Rs.37.36 crore as on 31 March, 2018 which is considered as quasi equity, being subordinate to bank facilities. The gearing stood at 1.30 times on 31 March, 2018 as compared to 1.74 times as on March 31, 2017. Total debt of Rs.373.83 crore as on March 31, 2018 includes long term debt of Rs.85.63 crore, Inter-corporate loan of Rs.37.54 crore and working capital borrowing of Rs.250.66 crore. The interest coverage ratio (ICR) stood healthy at 2.69 times in FY2018 as against 2.50 times in FY2017. The group has capex plan of ~Rs. 5.00 crore annually.
Considering the robust cash accruals Acuité expects the group to maintain its financial risk profile over near to medium term.
OG has comfortable working capital management with Gross Current Asset of 134 days in FY 18 as compared to 129 days in FY 17.

Weaknesses

- **Competitive industry along with high exposure to regulatory risk**

OG operates in highly competitive liquor industry marked by presence of several small and large players. Substantial amount of OG's liquor trading is concentrated in Punjab, non-allotment/ cancellation of retail vends and/or adverse changes in regulations can impact operating performance and profitability. Further, Indian Liquor Industry is heavily regulated by the government with regulations ranging from excise duty, licensing, production, distribution, inter-state exports, raw material availability and advertisements. There have been continuous regulatory changes in terms of state governments' policies towards liquor consumption. Any adverse change in the regulations can affect its business risk profile, and consequently, affect its credit risk profile.

Outlook: Stable

Acuité believes that OG will maintain a 'Stable' outlook on account of its experienced management, established position in its market 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 substantial decline in accruals or deterioration in debt protection indicators due to higher than expected debt funded capex or elongation in working capital cycle.

About the Group:

Malbros International Private Limited (MIPL)
MIPL was incorporated in 1988 and acquired by Malhotra group in 2004. It has a grain based distillery in Ferozpur (Punjab) and a bottling plant with installed capacity of bottling 33 lakh cases per annum (PA).

Oasis Commercial Private Limited (OCPL)
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 of Extra Neutral Alcohol (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 which is partly used for its own power generation requirements and balace is sold sells to Haryana Power Purchase Centre at a fixed tariff of Rs.7.20 per unit.

Oasis Overseas Private Limited (OOEPL)
OOEPL was incorporated in 2007 as Adie Broswon 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 manufacture of ENA and rectified spirit and also trades in IMFL.

Oasis Distilleries Limited (ODL)
ODL was acquired by the promoter family of Oasis Group in 1995. The company is engaged in the manufacturing of country liquor in Madhya Pradesh. It runs its own distribution shops for country liquor in six districts allotted by the MP government. The company also has a bottling plant at Firozpur where it blends various varieties of IMFL. In 2015, ODL started another bottling plant in Chandigarh for the blending of IMFL. ODL has entered into a number of strategic bottling tie-ups in Andhra Pradesh, Kerala, Orissa, Himachal Pradesh and Jammu & Kashmir.

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 80 KLPD and capacity utilisation of approximately 85 per cent in FY2018.

About the Rated Entity –Key Financials (consolidated)

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	1,479.69	1,390.37	1,633.56
EBITDA	Rs. Cr.	129.79	130.57	129.30
PAT	Rs. Cr.	30.35	27.97	24.83
EBITDA Margin	(%)	8.77	9.39	7.92
PAT Margin	(%)	2.43	2.70	2.44
ROCE	(%)	14.25	14.72	14.92
Total Debt/Tangible Net Worth	Times	1.30	1.74	2.16
PBDIT/Interest	Times	2.69	2.50	2.36
Total Debt/PBDIT	Times	2.85	3.30	3.45
Gross Current Assets (Days)	Days	134	129	100

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
Not Applicable

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Trading Entities - https://www.acuite.in/view-rating-criteria-6.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm
- Consolidation Of Companies - https://www.acuite.in/view-rating-criteria-22.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Sep-2017	Cash Credit	Long Term	89.95	ACUITE BBB- / Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.05	ACUITE A3 (Reaffirmed)
19-Jan-2017	Cash Credit	Long Term	66.50	ACUITE BBB- / Stable (Reaffirmed)
	Proposed Fund Based Facilities	Long Term	0.25	ACUITE BBB- / Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.25	ACUITE BBB- / Stable (Reaffirmed)

***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	89.95	ACUITE BBB-/ Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.05	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.