

Press Release

Vijeta Beverages Private Limited

July 21, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	0.05	-	ACUITE A2 Reaffirmed
Bank Loan Ratings	89.95	ACUITE BBB+ Positive Reaffirmed Stable to Positive	-
Total Outstanding Quantum (Rs. Cr)	90.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB+**' (read as **ACUITE Triple BBB Plus**) and short term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.75.19 crore bank facilities of Vijeta Beverages Private Limited (VBPL). The outlook is changed from '**Stable**' to '**Positive**'.

About Company

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.

About the Group

Oasis Group (OG) is promoted by the Malhotra Family and has an operational track record of over five decades in the liquor industry. The Group currently owns five distillation units and 3 Bottling Plants situated in Punjab, Haryana, Madhya Pradesh, Rajasthan and Chandigarh, with a collective grain spirit production of more than 22.10 Crore liters per annum. The Group is also engaged in the retail trading business of liquor through Government contract route, by submitting tenders in the State of Punjab, Haryana and U.T. Chandigarh. At present, it owns about 700 retail vends in Punjab.

The group's core business strength lies in the business of alcohol production, manufacturing and marketing of grain based IMFL. It is one of the largest retailers of liquor in the state of Punjab. Three plants owned by the group have their in-house power generation units and the group also markets DDGS (Dried Distilled Grain Soluble) for the cattle industry and harnesses Carbon-di-Oxide for industrial uses. DDGS and Carbon-di-Oxide are byproducts of the ENA manufacturing and distillation process.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

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), Om Sons Marketing Private Limited (OSMPL) and Oasis Ethanol Industries Private Limited (OEIPL) 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

Experienced management

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. Gaurav 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.

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 group added capacity of 1.20 lakh litres per day with further modification in Oasis Overseas Exports Private Limited. The group undertook further capacity expansion from 2021 wherein additional capacity of 1.80 lakh litres per day in MIPL. Further The Group is in process of adding additional capacity of 6.60 lakh litres per day which will be operationalized by March 2023 taking total Ethanol Production capacity of the group to 12.80 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.

Acuité 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 group has healthy financial risk profile marked by healthy net worth and strong debt protection metrics. The group's net worth stood at Rs. 592.55 Cr as on 31st March 2022(Prov.) as against Rs. 481.29 Cr as on 31st March 2021(Audited). Gearing levels (debt-to-equity) increased from 0.82 times as on March 31, 2021 to 1.00 time as on March 31, 2022(Prov.) due to on boarding of additional debt. Further, the interest coverage ratio stood healthy at 4.65 times for FY2022 (Prov.) as against 3.74 times in FY2021. However, Debt service coverage ratio stood healthy at 2.82 times in FY2022 (Prov.) in comparison to 2.13 times in FY2021(Audited). Total outside liabilities to total net worth (TOL/TNW) stood at 1.45 times as on FY2022 (Prov.) vis-à-vis 1.44 times as on FY2021(Audited). However, Debt-EBITA stood at 3.57 times as on 31st March 2022(Prov.) as against 2.66 times as on 31st March 2021.

Weaknesses

Intensive working capital operations

Working capital requirements of the group are improved yet intensive as evident from gross current assets (GCA) of 130 days for FY2022(Prov.) as against 148 days for FY2021. The improvement is majorly on account of change in inventory days of 33 days as on 31 March 2022(Prov.) as against 45 days in the previous year. Further, debtors' days stood improved at 48 days as on 31 March 2022(Prov.) as against 53 days in previous year. Current Ratio stood at 1.42 times as on 31 March 2022(Prov.) as against 1.40 in the previous year.

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.

Rating Sensitivities

- Sustained growth in operating performance with improvement in profitability and financial risk profile
- Slowdown in industry leading to inventory pile up
- Group's ability to complete the project on time
- Group's ability to run the plant on defined capacity and generate revenue

Material Covenants

None

Liquidity Position Adequate

The group has healthy liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs. 102.76 crore for FY2022 (Prov.) as against Rs. 13.32 crore of repayment obligations for the same period. The group has cash and bank balances of Rs. 31.99 crore as on 31st March 2022(Prov.). Also, gross current assets (GCA) stood at 130 days for FY2022 (Prov.) as against 148 days for FY2021. Further, the combined fund-based working capital limits are utilized at an average of 73 percent in the last half year. Current Ratio stood at 1.42 times as on 31 March 2022(Prov.) as against 1.40 in the previous year. Therefore, group has sufficient liquidity to meets its requirements.

Outlook: Positive

Acuité believes that Vijeta Beverages Private Limited will benefit from its established relationship with its customers and suppliers coupled with sustained scale of operations, profitability and debt protection metrics over the medium term from. The outlook may be revised to 'Stable' in case of significant deterioration in operating income, thereby weakening profitability and further stretch in the working capital cycle. The rating will be upgraded in case of improvement in scale of operations along with sustenance of profitability and debt protection metrics.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	2182.83	1856.62
PAT	Rs. Cr.	69.04	61.57
PAT Margin	(%)	3.16	3.32
Total Debt/Tangible Net Worth	Times	1.00	0.82
PBDIT/Interest	Times	4.65	3.74

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

None

Any Other Information

None

Applicable Criteria

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

Note on Complexity Levels of the Rated Instrument<https://www.acuite.in/view-rating-criteria-55.htm>**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Feb 2022	Bank Guarantee	Short Term	0.05	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	89.95	ACUITE BBB+ Stable (Reaffirmed)
24 Sep 2021	Cash Credit	Long Term	89.95	ACUITE BBB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.05	ACUITE A2 (Reaffirmed)
06 Sep 2021	Bank Guarantee	Short Term	0.05	ACUITE A2 (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	89.95	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
05 Oct 2020	Bank Guarantee	Short Term	0.05	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	89.95	ACUITE BBB Stable (Reaffirmed)
07 Jul 2020	Bank Guarantee	Short Term	0.05	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	89.95	ACUITE BBB Stable (Reaffirmed)
26 Mar 2019	Bank Guarantee	Short Term	0.05	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	89.95	ACUITE BBB Stable (Reaffirmed)
30 Jan 2019	Bank Guarantee	Short Term	0.05	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	89.95	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
10 Dec 2018	Bank Guarantee	Short Term	0.05	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	89.95	ACUITE BBB- Stable (Reaffirmed)
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 (Assigned)
	Bank Guarantee	Short Term	0.25	ACUITE A3 (Assigned)
	Proposed Working Capital Demand Loan	Long Term	0.25	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.05	ACUITE A2 Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	89.95	ACUITE BBB+ Positive Reaffirmed Stable to Positive

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About Acuité Ratings & Research

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