Press Release

Jai Beverages Private Limited (JBPL)

March 31, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 21.00 Cr.
Long Term Rating	SMERA A/ Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of **'SMERA A' (read as SMERA A)** on the Rs. 21.00 crore bank facilities of Jai Beverages Private Limited. The outlook is **'Stable'**.

The Jammu-based, Jai Beverages Private Limited (JBPL), part of the Jaipuria Group of companies, was incorporated in 1999 by Jai Drinks Private Limited and Jaipuria Foods & Beverages Private Limited. JBPL is the exclusive bottler of PepsiCo India for carbonated soft drinks (CSD) and fruit juices for the state of Jammu and Kashmir. The company also undertakes sales and distribution of products manufactured by Frito Lay (a division of PepsiCo India), Lays, Kurkure, Qaker Oats to name a few.

The manufacturing facility is located at Jammu and has an installed capacity of 480 bottles per minute (BPM) for CSD, 175 BPM for Polyethylene terephthalate (PET), 120 BPM hot fill PET line, 100 BPM glass juice line and 140 cups per minute cup line.

Key rating drivers

Strengths

Experienced management and established distribution network
JBPL, incorporated in 1999 is headed by Mr. Anuraag Jaipuria and Mr. Razdan, with more than two decades of experience in the beverage bottling industry. They are ably assisted by Directors, M.P Jaipuria and C.K Jaipuria, with experience of more than five decades in the said industry. JBPL, backed by its experienced management and established market position, has been able to generate healthy relations with its reputed suppliers and customers. The company also benefits from an established network of 186 exclusive distributors and a fleet of over 100 vehicles.

Established market position in Jammu and Kashmir
JBPL has presence of more than five decades in the bottling industry. The company entered into an exclusive franchise agreement with PepsiCo India for distribution of CSD and fruit juices in Jammu and Kashmir in 2000. The agreement was renewed in 2010 for a further 10 years.

Above average financial risk profile and comfortable liquidity position

The financial risk profile of JBPL is above average marked by net worth of Rs.42.12 as on 31 March, 2017 crore as against Rs.28.95 crore as on 31 March 2016. The gearing (debt-equity) improved from 1.01 times as on 31 March 2016 to 0.47 times as on 31 March 2017. The Interest Coverage Ratio stood at 11.88 times in FY2017 as against 8.30 times in FY2016. The Debt Service Coverage ratio stood at 3.19 times in FY2017 compared to 3.17 times in FY2016. The Gross Current Asset days stood at 62 in FY2017 and 64 in FY2016. Further, the average bank limit utilisation stood at ~12 percent for the past six months ended February 2018. SMERA believes that the company will be able to maintain an average financial risk profile in the absence of major debt funded capital expenditure.

Weaknesses

Geographically concentrated revenue profile and intense competition

The exclusive franchise agreement entered into by the company restricts the revenue profile to the region of Jammu and Kashmir which can affect the growth potential of JBPL. The company also faces intense competition from other players including Coca-Cola, Dabur, Parle Agro in the aerated and non-aerated segments. Further, the beverage industry is susceptible to changes in consumer preferences. Since the company generates ~80 percent of its sales from aerated drinks, the cash flows may be impacted with consumers shifting their preference to non-aerated drinks for health reasons.

Seasonal nature of business

The company's business is seasonal in nature as it generates 65 percent revenue during April-July. However, the risk is mitigated to an extent as the company also sells Frito Lay' products.

Susceptibility to changes in government regulations

Unfavourable changes in regulations are likely to have a negative impact on the cash flows of the company.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Jai Beverages Private Limited to arrive at the rating.

Outlook – Stable

SMERA believes that JBPL's will maintain a Stable outlook and benefit over the medium term owing to its exclusive franchise agreement with PepsiCo and established market position in Jammu and Kashmir. The outlook may be revised to 'Positive' in case of substantial growth in revenue, sustained improvement in operating profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in operating margin, deterioration of the financial risk profile or liquidity.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	197.47	171.91	149.71
EBITDA	Rs. Cr.	30.11	36.28	19.73
PAT	Rs. Cr.	12.97	15.18	2.68
EBITDA Margin	(%)	15.25	21.10	13.20
PAT Margin	(%)	6.57	8.83	1.80
ROCE	(%)	10.23	13.23	8.08
Total Debt/Tangible Net Worth	Times	0.47	1.03	3.70
PBDIT/Interest	Times	11.88	8.05	3.23
Total Debt/PBDIT	Times	0.65	0.85	2.32
Gross Current Assets (Days)	Days	62	64	81

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

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - https://www.smera.in/criteria-default.htm
- Manufacturing Entities - https://www.smera.in/criteria-manufacturing.htm
- Financial Ratios And Adjustments - https://www.smera.in/criteria-fin-ratios.htm

Note on complexity levels of the rated instrument

https://www.smera.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A/ Stable

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ABOUT SMERA

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