Press Release

Jai Beverages Private Limited

May 20, 2019

Rating Upgraded

Total Bank Facilities Rated*	Rs. 21.00 Cr.
Long Term Rating	ACUITE A+/ Outlook: Stable (Upgraded from ACUITE A)

** Refer Annexure for details*

Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE A+**' **(read as ACUITE A plus)** from '**ACUITE A' (read as ACUITE A)** to the Rs. 21.00 crore bank facilities of Jai Beverages Private Limited (JBPL). The outlook is **'Stable'**.

The rating upgrade reflects the established market position in Jammu and Kashmir on account of longstanding association with PepsiCo Inc, healthy growth in accruals while maintaining prudent capital structure and improvement in revenue driven by rural growth and diversified product portfolio of Pepsi Co Inc.

The Jammu-based, 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 an exclusive bottler of PepsiCo India product including 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 and Quaker Oats among others.

Analytical Approach:
Acuité has considered the standalone financial and business risk profile of JBPL to arrive at the rating.

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, Mr. M.P Jaipuria and Mr. C.K Jaipuria, with experience of more than five decades in the said 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 is expected to be again renewed in 2020 for a further 10 years. 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.

• **Healthy financial risk profile**
JBPL's financial risk profile is marked by healthy net worth, comfortable gearing and strong debt protection metrics. The net worth stood at Rs.63.59 crore as on 31 March, 2018 as against Rs.42.12 crore as on 31 March, 2017 supported by healthy cash accruals. The gearing further improved to 0.30 times as on 31 March, 2018 compared to 0.47 times as on 31 March, 2017 with gradual repayment of long term obligations. Acuité believes that the capital structure will continue to remain comfortable in the absence of any debt funded capex and steady increase in cash accruals. The debt protection metrics remained healthy with interest coverage ratio at 44.44 times in FY2018 as against 11.88 times in FY2017. The debt service coverage ratio stood at 5.48 times as on March 31, 2018 as against 3.19 times in the previous year.

- **Steady increase in revenue resulting in healthy cash accruals**

JBPL registered steady increase in revenue profile with a year-on-year growth of 24.48 percent in FY 2017-2018. Further, the company has registered revenue of Rs 235.48 Crore as on December, 2018 (Provisional) as compared to Rs 245.82 Crore in FY 2017-2018. Acuité believes that JBPL will continue to benefit from exclusive agreement with PepsiCo Inc and continuous product development by PepsiCo. Further, the revenue is expected to be driven by healthy consumption growth in rural belt of Jammu and Kashmir. Profitability levels have declined but remain healthy at 15.05 percent in FY 2017-2018 as against 15.25 percent in FY 2016-2017. The same has resulted in high cash accruals of Rs 28.61 Crore in FY2018 as against Rs 20.19 Crore in the previous year.

Weaknesses

- **Susceptibility to changes in regulations and customer preferences**

The beverage industry remains susceptible to changes in government regulations regarding content of soft drinks, and to increasing environmental concerns in India about ground water depletion and discharge of effluents by bottling plants. 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.

Liquidity Profile:

JBPL has healthy liquidity as marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.28.61 crore during FY2017-18, while its maturing debt obligations stood at Rs.6.71 crore over the same period. The cash accruals of the company are estimated to remain comfortable to meets its repayment obligations during 2019-21. The cash credit limit in the company remains utilised at around 18 percent during the last 8-month period ended February, 2019. The company maintains unencumbered cash and bank balances of Rs.4.02 crore as on March 31, 2018. The current ratio of the company stands low at 0.69 times as on March 31, 2018 on account of high deposits from distributors and dealer network. Acuité believes that the liquidity of the company is likely to remain robust over the medium term on account of healthy cash accrual sufficient to meet its repayments over the medium term.

Outlook: Stable

Acuité believes that JBPL will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive experience in the industry and longstanding agreement with PepsiCo. The outlook may be revised to 'Positive' in case the company achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and profitability.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	245.82	197.47	171.91
EBITDA	Rs. Cr.	36.99	30.11	36.28
PAT	Rs. Cr.	21.35	12.97	15.18
EBITDA Margin	(%)	15.05	15.25	21.10
PAT Margin	(%)	8.68	6.57	8.83
ROCE	(%)	38.32	35.47	45.63
Total Debt/Tangible Net Worth	Times	0.30	0.47	1.03
PBDIT/Interest	Times	44.44	11.88	8.05
Total Debt/PBDIT	Times	0.50	0.65	0.85
Gross Current Assets (Days)	Days	46	62	64

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.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

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
31-Mar-2018	Cash Credit	Long Term	6.00	ACUITE A/ Stable (Assigned)
	Term Loan	Long Term	15.00	ACUITE A/ Stable (Assigned)

*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	6.00	ACUITE A+ / Stable (Upgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A+ / Stable (Upgraded)

Contacts

Analytical	Rating Desk
Pooja Ghosh Head–Corporate and Infrastructure Sector Rating's Tel: 033-6620-1203 pooja.ghosh@acuite.in Swati Banthia Analyst - Rating Operations Tel: 033-6620-1211 swati.banthia@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

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.

accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.