

## Press Release

Jai Beverages Private Limited

January 31, 2023



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	164.00	ACUITE A+   Stable   Assigned	-
Bank Loan Ratings	10.00	ACUITE A+   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	174.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE A+**' (read as **ACUITE A plus**) on the Rs. 10.00 Cr bank facilities of 'Jai Beverages Private Limited (JBPL)'. The outlook is '**Stable**'.

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#### Rationale for reaffirmation/assignment

The reaffirmation of the rating continues to reflect satisfactory operational performance of the company on the back of licensing agreement with Pepsico India Holdings Private Limited, improving financial risk profile of the company as a result of scheduled repayment of outstanding term loans; efficient working capital management resulting in adequate liquidity. However, the above strengths are constrained by geographical restrictions and susceptibility to changes in regulation and customer preference.

#### About the Company

Jai Beverages Private Limited (JBPL), is a New Delhi based company, incorporated in 1999 with manufacturing facility located at Jammu. The company is engaged in manufacturing and bottling of soft drinks. JBPL has trademark license agreement with PepsiCo India Holdings Private Limited for manufacturing and sales in Jammu & Kashmir region. The products that are manufactured by the company are Pepsi Cola, Mirinda Orange, Mirinda Lemon, and Mountain Dew, 7 UP, Nimbooz, Slice, Evervess Soda and Diet Pepsi. Apart from this company is also operating Adidas outlets and have opened around 27 outlets pan India.

#### Analytical Approach

Acuite has considered the standalone financials of Jai Beverages Private Limited to arrive at rating.

#### Key Rating Drivers

## Strengths

### Experienced promoters

JBPL is managed by Mr. Anuraag Jaipuria and Mr. Razdan, with more than two decades of experience in the beverage bottling industry. They are assisted by directors, Mr. M.P Jaipuria and Mr. C.K Jaipuria, who have more than five decades of experience in the aforementioned industry. The company has long-standing agreement with PepsiCo India since 2000, through the franchise agreement for bottling and distribution of its soft drinks, juice, soda and packaged drinking water for Jammu and Kashmir region. Acuite believes that the company would continue to benefit from experience of the Directors and long track record of the company.

### Healthy Financial risk profile

Company has a strong financial risk profile with debt-equity ratio below unity, healthy net worth and strong debt protection metrics. Tangible Net worth stood at Rs. 226.42 Cr in FY 2022 as against Rs. 180.40 Cr in FY 2021. Total debt of Rs. 10.42 Cr in FY 2022 consists of Rs. 1.91 Cr of long term loans (vehicle loan), Rs. 8.03 Cr of working capital borrowings and Rs. 0.48 Cr of CPLTD. Gearing remained below unity between FY 2020-2022. Interest coverage ratio moderated but remained strong at 135.66 times in FY 2022 as against 165.77 times in FY 2021. DSCR improved from 11.73 times in FY 2021 to 28.49 times in FY 2022. NCA/TD moderated but remained strong at 5.64 times in FY 2022 as against 6.03 times in FY 2021. TOL/TNW and Debt-EBITDA has remained below unity between FY 2020-2022.

### Efficient Working Capital Management

The company has comfortable working capital management with Gross Current Asset days at 79 days during FY 2022 (71 days in FY2021). The company extends credit period of 7-30 days to its customers. The inventory days remained at 28 days as on March 31, 2022 as against 31 days in FY 2021. The company maintains stock of 'concentration' received from Pepsi for 2 days due to its lower shelf life and other chemicals for 10-15 days. Further, JBPL also maintain sugar for a week and bottle caps for 30 days. The company avails credit period of 15-25 days from its suppliers. Creditor days in FY 2022 stood at 22 days as against 28 days in FY 2021. Average bank limit utilization stood comfortable at 35.65% for 6 months' period between April 2022 to September 2022.

## Weaknesses

### Susceptibility to changes in regulations and customer preference

The beverage industry remains susceptible to changes in government regulations regarding the content of soft drinks and to increasing environmental concerns in India about groundwater 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 by consumers shifting their preference to non-aerated drinks for health reasons.

### Operations restricted to J&K region

The company has received licensing agreement exclusively for Jammu and Kashmir region. Hence, any halt in operations in the region is expected to impact revenue of the company.

## Rating Sensitivities

- Increase in scale of operations with improvement in profitability margins.
- Timely completion of capex without any cost overruns.

## Material covenants

None.

## Liquidity Position

### Adequate

Company has adequate liquidity position. In FY 2022 company generated net cash accrual of Rs. 58.79 Cr against maturing debt obligation of Rs. 1.53 Cr. Going forward company is

expected to generate NCA of Rs. 66.03 Cr and Rs. 90.97 Cr in FY 2023 and 2024 respectively against maturing debt obligation of Rs. 0.48 Cr each year. The term loan will remain in moratorium for which repayments will start from April 2024. Company had unencumbered cash and bank balance of Rs. 4.46 Cr in FY 2022.

### Outlook: Stable

Acuité believes that the outlook on JBPL will remain 'Stable' over the medium term on account of its experienced promoter and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while maintaining the profitability. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or any significant cost or time overrun in its proposed capex leading to deterioration of its revenue stream.

### Other Factors affecting Rating

None.

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	452.71	357.24
PAT	Rs. Cr.	46.01	44.50
PAT Margin	(%)	10.16	12.46
Total Debt/Tangible Net Worth	Times	0.05	0.05
PBDIT/Interest	Times	135.66	165.77

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

None

### Any other information

None.

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Nov 2021	Term Loan	Long Term	10.00	ACUITE A+ (Withdrawn)
	Term Loan	Long Term	4.00	ACUITE A+ (Withdrawn)
	Cash Credit	Long Term	10.00	ACUITE A+   Stable (Reaffirmed)
05 Aug 2020	Cash Credit	Long Term	10.00	ACUITE A+   Stable (Reaffirmed)
	Term Loan	Long Term	4.00	ACUITE A+   Stable (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE A+   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A+   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A+   Stable   Assigned
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A+   Stable   Assigned
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	72.00	ACUITE A+   Stable   Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	72.00	ACUITE A+   Stable   Assigned

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### About Acuité Ratings & Research

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