

Press Release

Rock And Storm Bottlers Private Limited

June 02, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs. 10.00 crore bank facilities of Rock and storm bottlers private limited (RBPL). The outlook is '**Stable**'.

RBPL, incorporated in February 2015, is promoted by Mr. Arundeepl Singh. The company has started its commercial operations in October 2015 with the establishment of Indian Made Foreign Liquor (IMFL) bottling plant at Chandigarh and Ambala, having an installed capacity of 22,50,000 cases per annum. RBPL is engaged in the business of blending, bottling and selling of IMFL products under its own brand name.

Key Rating Drivers

Strengths

- **Experienced management**

The company is promoted by Mr. Arundeepl Singh having a decade of experience in the liquor industry. The operations of the company are managed by the Directors, Mr. Sanjay Saini having more than a decade experience and Mr. Sunder having more than five years of experience in the industry.

- **Average financial riskprofile**

RBPL has average financial risk profile marked by net worth of Rs.4.92 crore as on 31 March, 2017 as compared to Rs.4.39 crore as on 31 March, 2016. The adjusted gearing (debt-equity) is improved to 1.99 times as on 31 March, 2017 as compared to 2.11 times as on 31 March, 2016. Total debt comprises of working capital borrowings of Rs.8.15 crore as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood at 1.93 times in FY2017 as compared to 1.95 times in FY2016. Debt Service Coverage Ratio (DSCR) stood at 1.43 times FY2017 as compared to 1.73 times in FY2016. The Total Outstanding Liabilities to Total Net Worth (TOL/TNW) stood at 4.18 times as on 31 March, 2017 as against 4.02 times as on 31 March, 2016. Going forward, SMERA expects the firm to maintain its financial risk profile and improve its net worth.

Weaknesses

- **Working capital intensive operations**

The working capital operations of the firm are intensive marked by high Gross Current Asset (GCA) of 225 days in FY2017 as against 228 days in FY2016. The GCA days are mainly dominated by creditors of 136 days in FY2017 as against 140 days in FY2016. Also, inventory of 105 days in FY2017 as against 106 days in FY2016. The average bank limit utilization for the past six months stood at 72.86 percent. SMERA believes that the efficient working capital management is important for the firm in order to maintain a stable credit profile.

• **Margins are susceptible to raw material price fluctuation**

Major raw material for RBPL is Extra Neutral Alcohol (ENA) which is procured domestically from local markets. The prices of the raw material are highly volatile and depend on sugarcane availability which being seasonal in nature may impact the margin of the company.

• **Highly regulated industry**

The company operates in a highly regulated industry. The movement of liquor between various states in India is subject to multiple tax laws and regulations, thus making sales beyond state boundaries very difficult.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the RBPL to arrive at this rating.

Outlook: Stable

Acuité believes that RBPL will maintain a 'Stable' business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the company registers higher than expected revenue and liquidity position while maintaining profitability margins. Conversely, the outlook will be revised to 'Negative' in case of significant decline in revenue and profitability or in case of higher than expected debt funded working capital requirement leading to strain on its debt servicing ability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	29.14	0.00	0.00
EBITDA	Rs. Cr.	2.41	0.00	0.00
PAT	Rs. Cr.	0.63	0.00	0.00
EBITDA Margin	(%)	8.29	4.11	0.00
PAT Margin	(%)	2.16	1.09	0.00
ROCE	(%)	14.09	12.44	-74.34
Total Debt/Tangible Net Worth	Times	2.50	2.00	0.00
PBDIT/Interest	Times	1.93	1.95	0.00
Total Debt/PBDIT	Times	5.00	9.45	0.00
Gross Current Assets (Days)	Days	225	228	0

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to 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	8.50	ACUITE BB- / Stable
Term Loans	Not Applicable	Not Applicable	Not Applicable	0.99	ACUITE BB- / Stable
Proposed facility	Not Applicable	Not Applicable	Not Applicable	0.51	ACUITE BB- / Stable

Contacts

Analytical	Rating Desk
Suman Chowdhury President-Rating Operations Tel:022-67141107 suman.chowdhury@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Ayushi Rathore Analyst - Rating Operations Tel: 022-67141336 ayushi.rathore@acuiteratings.in	

About Acuité Ratings & Research:

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