

Press Release

Rock and Storm Bottlers Private Limited

July 15, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.10.00 Cr.
Long Term Rating	ACUITE BB-/ Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed a 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 (RSBPL). The outlook is '**Stable**'.

Incorporated in 2015, Rock and storm bottlers private limited (RSBPL) is promoted by Mr. Arundeep Singla. The company is engaged in the business of blending, bottling and selling of Indian Made Foreign Liquor (IMFL) and country liquor under its own brand name. RSBPL has manufacturing unit in Chandigarh and Ambala, with an installed capacity of 3250000 cases per annum.

Analytical Approach

For arriving at its rating, Acuité has taken a standalone view of the business and financial risk profile of RSBPL.

Key Rating Drivers

Strengths

- **Experienced management**

RSBPL is promoted by Mr. Arundeep Singla who is having a decade of experience in the liquor industry. The operations of the company are managed by the Directors, Mr. Sanjay Saini and Mr. Sunder having more than a decade of experience in the aforementioned industry. Acuité believes that RSBPL will continue to derive benefit from its experienced management.

- **Moderate Financial Risk Profile**

RSBPL has moderate financial risk profile marked by average net worth, moderate debt protection metrics and low gearing. The net worth of the company stood at Rs.12.11 crore as on 31 March 2019 (Provisional) as against Rs.5.84 crore as on 31 March 2018. The net worth includes unsecured loans of Rs.5.50 crore as on 31 March, 2019 (Provisional) from promoters which are subordinated to bank debt. The gearing (debt-equity) improved to 0.63 times as on 31 March 2019 (Provisional) as against 1.75 times as on 31 March 2018 due infusion of unsecured loans by directors. The coverage indicators are moderate marked by Interest Coverage Ratio (ICR), which stood at 2.32 times in FY2019 (Provisional) as against 1.96 times in FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.15 times in FY2019 (Provisional) and 0.09 times in FY2018. Debt to EBITDA stood at 3.09 times in FY2019 (Provisional) as against 4.35 times in FY2018. Acuité believes that the financial risk profile of the company is expected to remain moderate in absence of any major debt funded capex in near to medium term.

Weaknesses

- **Working Capital intensive nature of Operations**

Operations of RSBPL are working capital intensive marked by gross current asset (GCA) of 223 days in FY2019 (Provisional) as compared to 223 days in FY2018. This is on account of debtors collection period of 38 days in FY2019 (Provisional) as against 26 days in FY2018 and inventory holding period of 83 days in FY2019 (Provisional) as against 142 days in FY2018. However, current ratio of the company stood moderate at 1.43 times as on 31 March, 2019 (Provisional) as against 1.12 as on 31 March, 2018. Acuité believes that the working capital operations of RSBPL will continue to remain intensive on account of level of high inventory holding period.

• **Moderate scale of operations and susceptibility of fluctuation in raw material**

Operating income of RSBPL stood at Rs.28.48 crore for the FY2019 (Provisional), Rs.25.94 crore for the FY2018 and Rs.29.14 crore for the FY2017. Further, major raw material for RSBPL 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 and competitive industry**

The company is operating in a highly regulated industry especially in case of country liquor. The movement of liquor between various states in India is subject to multiple tax law and regulations. Further company faces tough competition from many organized and unorganized players in the market.

Liquidity Profile

The company has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. RSBPL generated cash accruals of Rs.1.14 crore in FY2019 (Provisional) against debt obligations of Rs.0.43 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.1.40 crore to Rs.1.76 crore during FY2020-22 against repayment obligations of Rs.0.28 crore in FY2021. The company's working capital operations are intensive marked by gross current asset (GCA) days of 223 days in FY2019 (Provisional). Company maintains unencumbered cash and bank balances of Rs.0.69 crore as on 31 March 2019 (Provisional). The current ratio stands at 1.43 times as on 31 March 2019 (Provisional). Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuité believes that the outlook on RSBPL's facilities will remain 'Stable' over 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	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	28.48	25.94	29.14
EBITDA	Rs. Cr.	2.43	2.31	2.41
PAT	Rs. Cr.	0.83	0.65	0.63
EBITDA Margin	(%)	8.54	8.92	8.29
PAT Margin	(%)	2.91	2.51	2.16
ROCE	(%)	12.02	12.17	12.83
Total Debt/Tangible NetWorth	Times	0.63	1.75	2.50
PBDIT/Interest	Times	2.32	1.96	1.93
Total Debt/PBDIT	Times	3.09	4.35	5.00
Gross Current Assets (Days)	Days	223	223	225

Status of non-cooperation with previous CRA:

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.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
02-June-18	Cash Credit	Long term	8.50	ACUITE BB-/ Stable (Assigned)
	Term Loans	Long term	0.99	ACUITE BB-/ Stable (Assigned)
	Proposed facility	Long term	0.51	ACUITE BB-/ Stable (Assigned)

***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 (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	0.54	ACUITE BB- / Stable (Reaffirmed)
Proposed facility	Not Applicable	Not Applicable	Not Applicable	0.96	ACUITE BB- / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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