

Press Release

Asian Beverage Private Limited

July 20, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 35.10 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 35.10 crore bank facilities of Asian Beverage Private Limited. The outlook is '**Stable**'.

Asian Beverage Private Limited (ABPL), incorporated in December 2013 is Purasawalkam (Chennai) based company promoted by Mr. Sureshchand Arihant, Mr. Gmchainraj Vijayakumar, Mr. Pradipkumar Sohanlal and others. They have collective experience of two decades in similar lines of business. ABPL is engaged in manufacturing and packaging of Non-alcoholic fruit beverages, Ready to Serve fruit beverage and Carbonated Soft drinks under four registered Brand names - 'True Valley', 'Jucetime', 'Zeerup' and 'Vital' having manufacturing unit at Villupuram (Tamil Nadu). The production capacity of carbohydrates food beverages is 180,000 litres per day and fruit juices of 90,000 litres per day.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters have collective experience of two decades in manufacturing and packaging of beverages.

Weaknesses

- **Nascent stage of operation**

The company was incorporated in the December, 2013; however it commenced its operations from December, 2015. Hence, the company has limited track record of operations. The company has reported operating income of Rs. 27.68 crore in FY2018 (Provisional) as against Rs.13.47 crore for FY2017 and Rs.2.07 crore for FY2016.

- **Negative margin**

The operating margins (EBITDA) stood at 13.91 percent and net loss of 13.48 percent for the FY2018 (Provisional) as compared to 23.22 percent and net loss of 26.63 percent for FY2017. The reason for low profitability is due to huge depreciation cost and interest cost by the company.

- **Below average financial risk profile**

ABPL has weak financial risk profile marked by net worth of Rs.4.55 crore in FY2018 as compared to Rs.6.82 crore in FY2017. The gearing (Debt-equity) had deteriorated to 6.89 times as on 31 March, 2018 (Provisional) from 2.82 times as on 31 March, 2017. The total debt of Rs.31.36 crore as on 31 March, 2018 (Provisional) comprises term loan of Rs.26.20 crore and working capital limits of Rs.5.16 crore. The Interest Coverage Ratio (ICR) has stood at 1.35 times in FY2018 as compared to 1.01 times in FY2017.

- **Highly fragmented and competitive industry**

The company is operating in a highly fragmented and competitive industry. The business profile can be impacted due to change in preferences of customers.

Analytical Approach

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

Outlook: Stable

Acuité believes that ABPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the revenues or profit margins, or in case of deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	27.68	13.47	2.07
EBITDA	Rs. Cr.	3.85	3.13	-0.74
PAT	Rs. Cr.	-3.73	-3.59	-4.22
EBITDA Margin (%)	(%)	13.91	23.22	-35.63
PAT Margin (%)	(%)	-13.48	-26.63	-203.58
ROCE (%)	(%)	-2.86	-3.87	-12.81
Total Debt/Tangible Net Worth	Times	6.89	2.82	2.87
PBDIT/Interest	Times	1.35	1.01	-0.63
Total Debt/PBDIT	Times	8.14	6.09	-28.83
Gross Current Assets (Days)	Days	155	201	1205

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- 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)

Not Applicable

*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	5.00	ACUITE B- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE B- / Stable
Foreign Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.10	ACUITE A4

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
Disha Parmar Analyst - Rating Operations Tel: 022-67141120 disha.parmar@acuiteratings.in	

About Acuité Ratings & Research:

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