

Press Release

Asian Beverage Private Limited

August 02, 2019



Rating Upgraded and Reaffirmed

Total Bank Facilities Rated*	Rs. 35.10 Cr.
Long Term Rating	ACUITE B/ Stable (Upgraded from ACUITE B-)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

The upgrade in rating is driven by improvement in scale of operations with static EBITDA Margins but improving Net cash accruals. Also, Acuité expects improvement in debt protection metrics with no major capex plans in near to medium term.

Chennai based ABPL, incorporated in December, 2013, is engaged in the manufacturing and packaging of Non-alcoholic fruit beverages, ready to serve fruit beverage and carbonated soft drinks under three registered Brand names – 'TRUE VALLEY', 'JUCETIME' and 'VITAL' having manufacturing unit at Villupuram, Tamil Nadu. Brand names are registered in the name of Asian Beverages Private Limited. It has added one more brand 'YOOTOO' Milk shake on Job work basis for Bovonto (Kalis Sparkling Water Private Limited). The production capacity has been expanded to 600,000 litres per day.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of ABPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and track record of operations

The promoters, Mr. Sureshchand Arihant, Mr. Gmchainraj Vijayakumar and Mr. Pradipkumar Sohanlal have collective experience of two decades in manufacturing and packaging of beverages. The company has track record of operations of almost six years since 2013. This has helped the company to have long term relationships with its customers and have branch presence across South India in the states of Andhra Pradesh, Orissa, Tamil Nadu, Karnataka and Telangana.

Weaknesses

Weak financial risk profile

ABPL has weak financial risk profile marked by tangible net worth of Rs. 4.74 crore in FY2019 (Provisional) as compared to Rs. 4.55 crore in FY2018. The gearing (Debt-equity) had deteriorated to 9.99 times as on 31 March, 2019 (Provisional) from 6.89 times as on 31 March, 2018 due to major capital expenditure on FY2019. The total debt of Rs. 47.35 crore as on 31 March, 2019 (Provisional) comprises term loan of Rs. 41.37 crore and working capital facilities of Rs. 5.98 crore. Interest Coverage Ratio (ICR) stood at 2.11 times in FY2019 (Provisional) as compared to 1.35 times in FY2018. Total Outside liabilities to Total Tangible Net worth (TOL to TNW) stood at 11.64 times as on March 31, 2019 (Provisional) as against 10.48 times as on March 31, 2018.

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.

Liquidity Position:

The liquidity position of ABPL is stretched with low net cash accruals vis-à-vis its term debt obligations. The current ratio stood at 0.80 times as on March 31, 2019 (Provisional). It has maintained unencumbered cash and bank balances of Rs. 0.84 crore.

Outlook:

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	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	36.61	27.68	13.47
EBITDA	Rs. Cr.	4.97	3.85	3.13
PAT	Rs. Cr.	(1.30)	(3.73)	(3.59)
EBITDA Margin	(%)	13.57	13.91	23.22
PAT Margin	(%)	(3.55)	(13.48)	(26.63)
ROCE	(%)	2.59	(2.86)	(3.87)
Total Debt/Tangible Net Worth	Times	9.99	6.89	2.82
PBDIT/Interest	Times	2.11	1.35	1.01
Total Debt/PBDIT	Times	9.21	8.14	6.09
Gross Current Assets (Days)	Days	130	155	201

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

None

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.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 the Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
20-July-2018	Cash Credit	Long Term	5.00	ACUITE B-/ Stable (Assigned)
	Term Loan	Long Term	25.00	ACUITE B-/ Stable (Assigned)
	Foreign Letter of Credit	Short Term	5.10	ACUITE A4 (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	5.00	ACUITE B/ Stable (Upgraded from ACUITE B-)
Term Loan	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE B/ Stable (Upgraded from ACUITE B-)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE B/ Stable (Assigned)
Foreign Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Ayushi Rathore Analyst - Rating Operations Tel: 022-49294062 ayushi.rathore@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294021 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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, 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.