

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

Acuite 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, Acuite 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

Acuite 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:

Acuite 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

Acuite 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)

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About Acuité Ratings & Research:

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