

Press Release

Vintage Distillers Limited

January 28, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs.20.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.20.00 crore bank facilities of VINTAGE DISTILLERS LIMITED. The outlook is '**Stable**'.

New Delhi based Vintage Distillers Limited (VDL) was incorporated in 1988 and is engaged in the business of manufacturing of country liquor. The company is promoted by Jain family and has its manufacturing facility located in Alwar, Rajasthan with a capacity of 40 KLPD and bottling capacity of 15000 cases per day.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the Vintage Distillers Limited to arrive at this rating.

Key Rating Drivers

Strengths

• Established track record of Operations and experienced management

The promoters of VDL have been in the business of manufacturing of country liquor for more than a decade which gives them extensive experience in the said industry. Further having around two decades of operational track record has helped the company to maintain strong relations with its customers as well as with its suppliers. The experience of the promoters is also reflected through the company's stable revenue growth rate on year-on-year basis. Operating income stood at Rs.224.83 crore in FY2019, Rs.202.49 crore in FY2018 and Rs.171.21 crore in FY2017.

Acuite believes that the promoters' experience and healthy relations with its customers and suppliers will continue to benefit company over the medium term.

• Efficient working capital management

Operations of VDL are working capital efficient marked by Gross Current Asset (GCA) of 57 days in FY2019 as compared to 53 days in FY2018. This is on account of debtors' collection period of 27 days in FY2019 as against 21 days in FY2018 and inventory holding period of 24 days in FY2019 as against 22 days in FY2018. Further, current ratio of the company stood moderate at 0.88 times as on 31 March, 2019 as against 0.83 as on 31 March, 2018.

Acuite believes that the working capital operations of VDL will continue to remain efficient on account of low level of debtor's collection period.

Weaknesses

• Average financial risk profile

VDL's financial risk profile remained average marked by average net worth, average debt protection metrics and high gearing. The net worth of the company stood at Rs.10.68 crore as on 31 March 2019 as against Rs.10.50 crore as on 31 March 2018. The gearing level (debt-equity) stood at 1.62 times as on 31 March 2019 as against 1.75 times as on 31 March 2018. The total debt of Rs.17.33 crore as on 31 March 2019 consists of long term debt of Rs.2.31 crore and working capital borrowings of Rs.15.02 crore. The interest coverage ratio (ICR) stood stable at 1.83 times in FY2019 as against 1.81 times in FY2018. TOL/ TNW (Total outside liabilities to total net worth) ratio stood at 3.52 times in FY2019 and 3.40 times in FY2018. Debt to EBITDA stood at 2.94 times in FY2019 as against 3.16 times in FY2018.

Acuite believes that the financial risk profile of the company is expected to remain average on account by average net cash accruals and debt funded working capital requirements.

• Thin Profitability

The profitability of VDL stood thin at 2.41 percent in FY2019 as against 2.56 percent in FY2018. Further company registered negative net profit of Rs.1.88 crore in FY2019 as against negative net profit of Rs.3.03 crore in the previous year.

Key rating Sensitivity Factors

- Improvement in profitability
- Deterioration of Financial risk profile.
- Improvement in Liquidity

Material Covenants

Not Applicable

Liquidity Position: Stretched

Company has stretched liquidity marked by average net cash accruals to its maturing debt obligations. It generated cash accruals of Rs.3.11 crore in FY2019 against debt obligations of Rs.2.77 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.3.90 crore to Rs.4.79 crore during FY2020-22 against repayment obligations in the range of Rs.0.50 crore to Rs.1.98 crore for the same period. The average bank limit utilization for the last twelve months ended December 2019 remained ~94.91 percent. Company maintained unencumbered cash and bank balances of Rs.0.36 crore as on 31 March 2019. The current ratio stands at 0.88 times as on 31 March 2019.

Outlook: Stable

Acuite believes that VDL will maintain a 'Stable' outlook over the medium term on account of the management's experience and established relations with clientele. The outlook may be revised to 'Positive' in case of substantial and sustained increase in revenues and profitability, while maintaining its efficient working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of any significant volatility in profitability or stretch in its working capital operations impacting the liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	224.39	202.49
PAT	Rs. Cr.	(1.88)	(3.03)
PAT Margin	(%)	(0.84)	(1.50)
Total Debt/Tangible Net Worth	Times	1.62	1.75
PBDIT/Interest	Times	1.83	1.81

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-52.htm>
- Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BB-/ Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB-/ Stable
Proposed Term Loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB-/ Stable

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About Acuité Ratings & Research:

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