

## Press Release

### Udaipur Beverages Limited

May 04, 2020



#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.85.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB+ / Outlook: Stable

\* Refer Annexure for details

#### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB+**' (read as ACUITE triple B plus) on the Rs.85.00 crore bank facilities of UDAIPUR BEVERAGES LIMITED. The outlook is '**Stable**'.

#### About the company

New Delhi-based Udaipur Beverages Limited (UBL) was incorporated in 1996 and is promoted by Mr. Pradeep Agarwal. The company is engaged in manufacturing of soft drinks and juices. It has bottling and distribution franchisee agreement with Coca-Cola India. The company has distribution franchisee agreement for Mahakoshal and Jabalpur region, Madhya Pradesh. It has its bottling unit located in Jabalpur with a capacity of 400 bottles per minute (BPM) of RGB-Glass bottle, 180 BPM of CSD-plastic bottles, 400 BPM of RGB-Glass bottle (Maaza) and 125 packet per minute of Maaza Tatra.

#### About the Group

Superior Group (SG), promoted by Mr. Pradeep Agarwal has a franchisee bottling agreement with Coca-Cola India for manufacturing and distribution of its soft drinks, juices, and packaged water for a period of 29 years. Superior group has its presence in Vidarbha and Nagpur region through Superior Drinks Private Limited (SDPL), Chhattisgarh through Narmada Drinks Private Limited (NDPL), Mahakoshal and Jabalpur region through Udaipur Beverages Limited (UBL) and Aurangabad through Indo European Breweries Limited (IEBL) which has a co-pack agreement with Hindustan Coca-Cola Beverages Private Limited (HCCB).

#### Analytical Approach

For arriving at this rating, Acuité has consolidated the business and financial risk profiles of Superior Drinks Private Limited (SDPL), Narmada Drinks Private Limited (NDPL), Udaipur Beverages Limited (UBL), and Indo European Breweries Limited (IEBL) together referred to as the 'Superior Group' (SG). The consolidation is in the view of common management, strong operational and financial linkages between the entities and management stated posture of extension of support with the group companies. Extent of consolidation: Full.

#### Key Rating Drivers

##### Strengths

###### • **Experience Management and Long standing franchise agreement with Coca-Cola India**

SG is promoted by Mr. Pradeep Agarwal who has been associated with the group since its inception, this has helped the group to establish strong market presence. Further, the group has a long standing association with Coca-Cola India since 1992, through the franchise agreement for bottling and distribution of its soft drinks, juice and packaged drinking water for Vidarbha, Nagpur, Aurangabad, Chhattisgarh, Jabalpur and Mahakoshal region. The exclusive franchise agreement has helped the group to maintain healthy revenue growth. The revenues of the group has grown at a CAGR of ~15 per cent for last three years ending FY2019. The operating income has increased to Rs.434.94 crore in FY2019 from Rs.373.64 crore in FY2018, further, the group has achieved revenues of Rs.342.08 crore for 9MFY2020. The group operates at a healthy operating margins marked by operating margin (EBITDA) of 12.63 percent in FY2019 which has improved from 10.47 percent in the previous year.

Acuité believes that the group will continue to derive benefit from its promoter's experience, and its exclusive franchise agreement with Coca-Cola India for six regions gives healthy revenue visibility in medium term.

- **Healthy debt protection metrics albeit average capital structure**

The EBITDA margins of the group has improved to 12.63 percent in FY2019 from 10.47 percent in the previous year. The healthy profitability levels vis-à-vis reduction in the finance cost has led to improvement in the debt protection metrics. The interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 8.05 times and 4.71 times respectively in FY2019 as against 4.97 and 3.54 times respectively in the previous year.

The financial risk profile is average marked moderate net worth and gearing levels. The net worth of the group stood at Rs.33.07 crore as on 31 March, 2019 as against Rs.16.31 crore as on 31 March, 2018. This improvement is on the account of healthy accretion to reserves. The gearing level (debt-equity) stands average at 2.08 times as on 31 March, 2019 as against 5.22 times as on 31 March, 2018, the improvement is on the account of repayment of term loan and accretion of reserves. TOL/TNW (Total outside liabilities- Total net worth) stands high at 13.82 times as on 31 March, 2019. High TOL/TNW is on account of deposits received from its suppliers which stood at Rs.255.28 crore as on 31 March 2019. The deposits received by the group has been maintained in form of Fixed Deposits by the group. The total unencumbered Fixed Deposits stood at Rs.195.47 crore as on 31 March 2019.

The total debt of Rs.68.92 crore as on 31 March, 2019 consist of long-term debt of Rs.68.47 crore and unsecured loans of Rs.0.45 crore. NCA/TD (Net cash accruals to total debt) stands low at 0.73 times in FY2019 as against 0.44 times.

Acuité believes that the group's reliance of external borrowings continues to remain moderate on account of advances received from glass bottles and chillers dealers. Acuité also draws comfort from the high level of unencumbered Fixed Deposits maintained by the group and healthy order book position leading to healthy net cash accruals in near to medium-term.

- **Working capital efficient nature of operations**

The sales in beverage industry is seasonal in nature, with majority sales is achieved during March to June. This leads to high working capital requirements at the end of the year, as the group has to procure its raw materials to meet the seasonal demand. However, the group operates in comfortable working capital operates marked by Gross Current Assets (GCA) of 104 days in FY2019 as against 91 days in the previous year. This is majorly on the account of inventory holding period 49 days in FY2019 as against 54 days in the previous year. The group gets a credit period of around 90-95 days from its suppliers. The average fund based working capital utilization stood below 10 percent for the last 10 months ended January, 2020. Further, the current ratio stands healthy at 2.40 times as on 31 March, 2019.

### **Weaknesses**

- **Vulnerability to adverse regulatory changes and change in customer preference**

The beverage industry remains susceptible to changes in government regulations regarding content of soft drinks, and to increasing environmental concerns in India about ground water depletion and discharge of effluents by bottling plants. Further, the beverage industry is susceptible to changes in consumer preferences. Since the group generates ~70 percent of its sales from aerated drinks, the cash flows may be impacted with consumers shifting their preference to non-aerated drinks for health reasons.

### **Rating Sensitivities**

- Significant improvement in the profitability of the group.
- Any deterioration in working capital cycle and liquidity profile of the group.
- Significant improvement in capital structure of the group.

### **Material Covenants**

None

### **Liquidity Position: Strong**

The group has strong liquidity profile marked by healthy net cash accruals to its maturing debt obligations. SG generates net cash accruals of Rs.50.64 crore in FY2019 as against debt obligations of Rs.4.17 crore in FY2019. The cash accruals of the group are estimated to remain in the range of around Rs.52.69 crore to Rs.62.11 crore during FY2020-22 against repayment obligation in the range of Rs.2.09 crore to Rs.16.00 crore for the same period. The average fund based working capital utilization stood below 10 percent for the last 10 months ended January, 2020. The group maintained unencumbered cash and bank balances of Rs.26.54 crore as on 31 March, 2019. The current ratio stands healthy at

2.40 times as on 31 March, 2019.

Acuité believes that the liquidity of the group is likely to remain healthy over the medium term on account of healthy cash accruals and working capital requirements been funded by security deposits from its suppliers.

#### **Outlook: Stable**

Acuité believes SG will maintain a 'Stable' business risk profile over the medium term. The group will continue to benefit from its experienced management, moderate revenue visibility, and comfortable debt protection metrics. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in revenues while significant improvement in operating margins or significant improvement in capital structure of the group. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital management, thereby impacting its financial risk profile, particularly its liquidity.

#### **About the Rated Entity - Key Financials**

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	434.94	373.64
PAT	Rs. Cr.	16.74	(0.87)
PAT Margin	(%)	3.77	(0.23)
Total Debt/Tangible Net Worth	Times	2.08	5.22
PBDIT/Interest	Times	8.05	4.97

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

Not Applicable

#### **Any other information**

Not Applicable

#### **Applicable Criteria**

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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	15.00	ACUITE BBB+ / Stable (Assigned)
Term Loans	Not Available	Not Available	Not Applicable	70.00	ACUITE BBB+ / Stable (Assigned)

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### About Acuité Ratings & Research:

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