



Press Release
MONIKA ALCOBEV LIMITED
May 24, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	32.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	10.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	42.00	-	-

Rating Rationale

Acuite has assigned its long term rating of **ACUITE BBB-** (read as **ACUITE t riple B minus**) and short term rating of **ACUITE A3** (read as **ACUITE A three**) on the Rs 42 Cr bank facilities of Monika Alcobev Limited (MAL). The outlook is 'Stable'.

Rationale for Rating Assigned

The rating assigned takes into account the healthy business profile of the company supported by its long operational track record and its diversified geographical presence along with stable growth in revenue. The revenue of the company has increased by 41% Y-o-Y and stood at RS 124.45 Cr as on FY 2023 (Prov.) as against Rs 88.15 Cr in FY 2022. The ratings also factor in moderate financial risk profile marked by its moderate network and capital structure. However, the above mentioned rating strengths are partially offset by the company's working capital intensive nature of operations and highly regulated nature of industry.

About the Company

M/s. Monika Enterprise was partnership firm incorporated in 2015. Later it was incorporated in 2022 into Monika Alcobev Limited. Monika Alcobev Limited is India's Leading Branded Wine and Spirits Company that markets & distributes alcoholic beverages across India. It is headquartered in Mumbai and warehouses are located at Maharashtra, Delhi, Khurja and Karnataka. The Directors of the company are Mr. Bhimji Nanji Patel, Mr. Kunal Bhimji Patel and Mr. Dhara Kunal Patel.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of Monika Alcobev Limited to arrive at the rating.

Key Rating Drivers

Strengths

Established track record and experienced management

M/s. Monika Enterprise was partnership firm incorporated in 2015. Later it was incorporated in 2022 into Monika Alcobev Limited. Monika Alcobev Limited is India's leading branded wine and spirits company that markets & distributes alcoholic beverages.. It is headquartered in Mumbai and warehouses are located at Maharashtra, Delhi, Khurja and Karnataka. The

Directors of the company are Mr. Bhimji Nanji Patel, Mr. Kunal Bhimji Patel and Mr. Dhara Kunal Patel. The company is geographically diversified to 18 states such as Maharashtra,

Karnataka, Goa, Haryana, Telangana, Rajasthan etc. Operating Income for the FY22 stood at Rs. 88.15 crore as against Rs. 92.10 crore for FY21. The company has achieved revenue of Rs 124.45 Cr in FY23 (Prov). The improvement in the revenue is driven by increase in no. of brands & geographic diversification. Further, EBITDA Margin for the FY22 stood at 17.03% as against 16.24% in FY21. The Profit after tax margins (PAT) stood at 9.14% in FY22 from 8.54% in FY21.

Acuite believes that Monika Alcobev Ltd will continue to benefit from its established track record of operations and experience management over the medium term.

Moderate Financial risk profile

The financial risk profile of the company remained moderate marked by moderate net worth, moderate debt protection metrics and gearing ratio. The net worth of Monika Alcobev stood at Rs. 33.76 Cr as on FY22 as against Rs. 23.77 Cr as on FY21. The increase in net worth is majorly due to accretion of profits to the reserves. The company follows a conservative financial risk policy reflected through its peak gearing of 1.18 times. The gearing level (debt-equity) stood at 1.18 times as on FY22 as against 1.58 times as on FY21. Total outside liabilities to Tangible net worth (TOL/TNW) ratio stood moderate at 1.55 times in FY22 as against 2.52 times in FY21. The coverage indicators are moderate marked by Interest Coverage Ratio (ICR) of 4.07 times for FY22 as against 4.96 times for FY21. Debt service coverage ratio (DSCR) stood at 1.59 times in FY22 as compared with 2.10 times in FY21.

Acuite believes that financial risk profile of the company may continue to remain moderate over the medium term with no major debt-funded capex plans.

Established relationship with Premium Brand of liquor manufacturing

MAL distributes beer, whiskey, scotch, wine and other liquor products of key liquor manufacturing principals, namely Belenkya, Jose Cuevo, Bushmills, Laurent- Perrier, Templeton Rye, Diplomatico Reserva etc. Additionally, the company also distributes imported labels of whiskey, scotch, tequila and other products. It has got 60+ brands across Champagne, wine, whiskey, tequila, vodka etc.

Weaknesses

Working capital intensive operations

The operations of the company are working capital intensive in nature marked by GCA Days of 314 days in the FY22 as against 259 days in FY21. The receivables days stood at 134 days in FY22 & 68 days in FY21 with the credit period allowed of 90- 120 days. The inventory holding days stood at 135 days in FY22 as against 192 days in FY21. The company generally need to maintain inventory of 90-120 days. The creditor days of the company stood at 45 days in FY22 as against 113 days in FY21. The creditor days allowed is 30 – 60 days.

Acuite believes that the operations of the company may continue to remain working capital intensive considering the nature of business.

Government Regulatory Risks

The Indian alcohol industry is characterized by stringent regulations and is primarily regulated by the respective State Governments. Every state has its set of regulations with respect to distribution and retail channels, registration, taxation and pricing of alcohol. Licenses to produce and bottle are particularly scarce and contract manufacturing is a well-established market entry strategy. Furthermore, players within the industry are susceptible to high excise duties; any adverse change in excise duties can weaken profitability, and consequently, affect its credit risk profile.

Rating Sensitivities

Further Elongation in working capital cycle

Increase in scale of operations while maintaining profitability margins

Material covenants

None

Liquidity Position

Adequate

Liquidity of MAL is adequate, as the company has generated cash accruals of Rs. 9.19 Cr in FY22 against the maturing debt obligation of Rs 4.21 during the same period. Further, the company is expected to generate a net cash accruals in the range of Rs 13.29 – 26 Cr in near to medium term against the maturing debt obligation of Rs 2.37 – 3.34 Cr during the same tenure. Further, there is an infusion of unsecured loans from directors of Rs 29.47 Cr in FY22. The current ratio stood at 1.79 times in FY22. Further, NCA/TD (Net Cash Accruals to Total Debt) stood at 0.23 times both in FY22 & FY21. The average bank limit utilization for fund based limits is 82% for 12 months ended March 2023.

Outlook: Stable

Acuité believes the outlook on group will remain 'Stable' over the medium term backed by its experienced management and average financial risk profile. The outlook may be revised to 'Positive' if the group is able to improve its scale of operations significantly along with sustained improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in working capital operations leading to stretch in liquidity profile or financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	88.15	92.10
PAT	Rs. Cr.	8.06	7.86
PAT Margin	(%)	9.14	8.54
Total Debt/Tangible Net Worth	Times	1.18	1.58
PBDIT/Interest	Times	4.07	4.96

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BBB- Stable Assigned
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE BBB- Stable Assigned
ICICI Bank Ltd	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A3 Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Suman Paul Analyst-Rating Operations Tel: 022-49294065 suman.paul@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, 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. Ratings assigned by Acuité 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. Ratings assigned by Acuité 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.