

Press Release
MONIKA ALCOBEV LIMITED
October 22, 2024
Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	32.00	ACUITE BBB- Stable Upgraded	-
Bank Loan Ratings	10.00	-	ACUITE A3 Upgraded
Total Outstanding Quantum (Rs. Cr)	42.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating to '**ACUITE A3**' (read as **ACUITE A three**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs 42 Cr. bank facilities of Monika Alcobev Limited (MAL). The outlook is '**Stable**'.

Rationale for Rating Recommendation

The rating assigned takes into account the healthy business risk 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 to Rs. 189.20 Cr. as on FY 2024 as against Rs.165.74 Cr. in FY 2023. The ratings also factors in moderate financial risk profile marked by its moderate capital structure and debt protection metrices. 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, Karnataka and 22 states overall. The Directors of the company are Mr. Bhimji Nanji Patel, Mr. Kunal Bhimji Patel and Mr. Dhara Kunal Patel.

Unsupported Rating

Not Applicable

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. The Directors of the company are Mr. Bhimji Nanji Patel, Mr. Kunal Bhimji Patel and Mr. Dhara Kunal Patel. The company is geographically diversified into states such as Maharashtra, Karnataka, Goa, Haryana, Telangana, Rajasthan etc. Operating Income for the FY24 stood at Rs. 189.20 crore as against Rs.165.74 crore for FY23. The improvement in the revenue is driven by increase in the number of brands & geographic diversification. Further, EBITDA Margin for the FY24 stood at 16.50 % as against 17.25% in FY23. The Profit after tax margins (PAT) stood at 8.98 % in FY24 from 9.39% in FY23.

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 is marked by moderate capital structure and debt protection metrics. The net worth of Monika Alcobev Limited stood at Rs. 59.14 Cr. as on FY2024 as against Rs. 17.54 Cr. as on FY23- due to accretion of profits and infusion of equity capital. The gearing level (debt-equity) stood at 2.08 times as on FY2024 as against 4.11 times as on FY23- since their long-term debts reduced substantially. Total outside liabilities to Tangible net worth (TOL/TNW) ratio stood high at 2.66 times in FY2024 as against 6.33 times in FY23. The coverage indicators are moderate marked by Interest Coverage Ratio (ICR) of 3.60 times for FY2024 as against 4.60 times for FY23. Debt service coverage ratio (DSCR) stood at 2.56 times in FY2024 as compared with 2.71 times in FY23. However, the financial risk profile of the company will remain average in near future with no capex plans.

Established relationship with Premium Brand of liquor manufacturing

Monika Alcobev Limited distributes beer, whiskey, scotch, wine and other liquor products of key liquor manufacturing principals, namely Belenky, 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 100+ brands across Champagne, wine, whiskey, tequila, vodka etc. MAL has the liberty of free pricing system for imported goods, hence they can change the prices of imported liquor anytime based on the changes in market scenario, subject to taxes and VAT.

Weaknesses

Working capital management

The operations of the company are working capital intensive in nature marked by GCA Days of 392 days in the FY2024 as against 267 days in FY23. The receivables days stood at 174 days in FY2024 & 142 days in FY23 with the credit period allowed of 90- 120 days. The inventory holding days stood at 198 days in FY2024 as against 105 days in FY23. The company generally maintains inventory of 90-120 days. The creditor days of the company stood at 62 days in FY2024 as against 87 days in FY23. The creditor days is 45– 60 days. The debtor days have dragged the working capital cycle since they need to maintain stocks for corporations i.e state distributors, across 30-40 depots. These state corporations then supply to hotels, bars and other outlets, resulting in skewed collection cycle. Acuite believes that the working capital cycle of the company will continue to remain high over the medium term.

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

- Working capital cycle
- Movement in scale of operations and profitability margins

Liquidity Position

Adequate

Liquidity of Monika Alcobev Limited is adequate as the cash accruals generated of Rs. 18.02 Cr. in FY24 against the maturing debt obligation of Rs 1.14 Cr. during the same period. The current ratio stood at 1.47 times in FY24. Unsecured loans consist of current account balances of partners of predecessor partnership firm taken over as loan in the company. Further, NCA/TD (Net Cash Accruals to Total Debt) stood at 0.15 times in FY24 as against 0.23 times in FY23, since the short-term borrowings have increased. The company has ~Rs.13 crore in fixed deposits which are lien marked. The average bank limit utilization for fund-based limits is 86% for 6 month ended August

2024 while also availing ad hoc limits from time to time.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	189.20	165.74
PAT	Rs. Cr.	16.98	15.57
PAT Margin	(%)	8.98	9.39
Total Debt/Tangible Net Worth	Times	2.08	4.11
PBDIT/Interest	Times	3.60	4.60

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Aug 2024	Cash Credit	Long Term	25.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Cash Credit	Long Term	7.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Packing Credit	Short Term	10.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
24 May 2023	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	7.00	ACUITE BBB- Stable (Assigned)
	Packing Credit	Short Term	10.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
ICICI Bank Ltd	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A3 Upgraded (from ACUITE A4+)

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Dibyendu Roy Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticsupport@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. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.