Press Release

Candy Spirits Private Limited

November 04, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7.00	ACUITE BBB+ | Negative | Assigned	-
Bank Loan Ratings	36.00	ACUITE BBB+ | Negative | Reaffirmed | Stable to Negative	-
Total Outstanding Quantum (Rs. Cr)	43.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed the long-term rating at **'ACUITE BBB+' (read as ACUITE triple B Pluso)**n the Rs.36.00 Cr. bank facilities of Candy Spirits Private Limited (CSPL). The outlook is revised from **"Stable"** to **"Negative"**. Further, Acuite has assigned long-term rating at **"ACUITE BBB+" (read as ACUITE triple B Pluso)**n the Rs.7.00 Cr. bank facilities of Candy Spirits Private Limited. The outlook is **"Negative"**.

Rationale for Outlook change

The revision in outlook is on an account of factors including drop in the operating margins of the group due to closing of operations in West Bengal coupled with lower profitability on an account of high finance costs. Further, the financial risk profile of the group moderated reflected by interest coverage ratio (ICR) and debt service coverage ratio (DSCR) which stood at 2.14 times and 1.84 times respectively as on March 31, 2024 as against 3.58 times and 2.92 times as on March 31, 2023. Going forward, any further moderation in the financial risk profile of the group will be a key rating sensitivity. The rating draws comfort from the established position of the group in the liquor distribution business in Mumbai and Goa, supported by experienced promoters. The rating also factors in the efficient working capital management of the company with a GCA days of 61 days in FY 2024. In addition, the liquidity position of the group is adequate with sufficient net cash accruals against its debt obligations and low reliance on short term bank borrowings with an average fund based utilization of 58.92 percent for last twelve months ended March, 2024. Acuite notes that the rating is constrained by supplier concentration risk and vulnerability to the regulatory framework governing the liquor industry.

About the Company

Established in 2005, Candy Spirits Private Limited (CSPL) trades in Indian-made foreign liquor (IMFL), beer, and wines. The Mumbai-based company is one of the prime distributor for all brands of Pernod, Seagram Distilleries Private Limited (part of the Pernod Ricard group), and Privilege Industries Limited, among other liquor companies, in western Mumbai. The directors of the firm are Mr. Deepak Awatramani, Mr. Kishin Awatramani and Mr. Suraj Awatramani.

About the Group

Candy Enterprises Private Limited (CEPL)

Candy Enterprises Private Limited (CEPL) was established in 2005, trades in and distributes Indian-made foreign liquor (IMFL), beer, and wines. The Mumbai based company is one of the prime distributor for all brands of Pernod Ricard India Private Limited, Seagram Distilleries Private Limited (part of the Pernod Ricard group), and Privilege Industries Limited, among other liquor companies, in Goa, for hotel sector for some parts of central

Mumbai and some districts of West Bengal. The directors of the firm are Mr. Deepak Awatramani, Mr. Kishin Awatramani and Mr. Suraj Awatramani.

Unsupported Rating
Not Applicable

Analytical Approach

Extent of Consolidation
• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support
Acuité has considered the consolidated business and financial risk profiles of Candy Enterprises Private Limited (CEPL) and Candy Spirits Private Limited (CSPL), together known as Candy Group, to arrive at this rating. The consolidation is on account of similar line of business, common management and significant operational linkages.

Key Rating Drivers

Strengths
Experienced management and long track record of operations
The promoters have developed a strong market position in Mumbai and Goa courtesy to their two decades of experience in the liquor distribution industry. In the western and some central line areas of Mumbai and Goa, the Candy group is one of Pernod Ricard India Pvt Ltd's (Pernod) major distributors. More than 5,000 hotels, restaurants, and permit rooms are served by the organization. Acuité believes that the group will continue to benefit from its established track record of operations and experienced management.

Efficient Working Capital Operations
The working capital management of the group is efficient marked by GCA days of 61 days in FY2024 as against 69 days in FY2023. The group maintained inventory levels at 27 days in FY2024 as against 30 days for FY2023. Subsequently, the debtor's collection period stood at 33 days in FY2024 as against 37 days for FY2023. Furthermore, the creditor days stood at 17 days in FY2024 as against 22 days in FY2023. The consolidated average fund based utilisation of the group stood at 58.92 percent for twelve months ended March, 2024. Acuité expects the working capital management to remain efficient in near to medium term.

Weaknesses
Supplier concentration risk
Candy group relies heavily on its primary principle Pernod Ricard India Pvt Ltd (Pernod) for 70% of its revenue, exposing the business to supplier concentration risk. Despite its two-decade partnership with Pernod, any changes in the essential supplier's policy can have an impact on Candy Group's operations.

Vulnerability to regulatory changes
The liquor industry is administered through a strict license regime for liquor production and distribution. Any adverse change in the government's license authorization policy, such as discontinuing or limiting the renewal of licenses or substantially increasing license fees,could affect the profile of players such as Candy group.

Revenue & Profitability
The revenue of the group stood at Rs.1777.61 Cr. in FY2024 vis-à-vis Rs.1723.37 Cr. in FY2023. The EBITDA Margin declined and stood at 1.00 percent in FY2024 as against 2.41 percent in FY2023. The decrease is on an account of increase in wages and salaries of employees along with increased selling expenses covering transport, delivery & packing charges under Candy Enterprises Private Limited. Likewise the PAT Margin stood at 0.58 percent in FY2024 as against 1.28 percent in FY2023. The group has closed its operations in West Bengal from April 2024 under Candy Enterprises Private Limited. Going forward, the revenue of the group is expected to be impacted due to shutdown of operations in West Bengal. However, to bridge the gap caused due to this shutdown, the group is trying to tap opportunities in new locations. Acuité notes that the business risk profile of the group will be key monitorable in near to medium term.

Moderate Financial Risk Profile
The financial risk profile of the group is marked by moderate net worth which stood at Rs.119.12 Cr. as on March 31, 2024 from Rs.104.23 Cr. as on March 31, 2023 due to accretion of reserves. Gearing of the group improved and stood at 0.93 times as on March 31, 2024 as against 1.26 times as on March 31, 2023. However, the debt protection metrics moderated, marked by interest coverage ratio (ICR) which stood at 2.14 times as on March 31, 2024 as against 3.58 times as on March 31, 2023 and debt service coverage ratio (DSCR) at 1.84 times as on March 31, 2024 as against 2.92 times as on March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.75 times as on March 31, 2024 as against 2.43 times as on March 31, 2023. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.10 times as on March 31, 2024. The group has no major debt funded capex plans in near to medium term. Acuite believes that going forward any moderation in the financial risk profile of the group will be a key rating sensitivity.

Rating Sensitivities
- Movement in the operating scale and profitability.
- Moderation in debt protection metrices.

Liquidity Position

Adequate

The group's liquidity position is adequate marked by net cash accruals of Rs.11.57 Cr in FY2024. Going forward, the company is expected to generate net cash accruals under the range of Rs.7.00 Crore to Rs.8.00 Crore against debt repayment obligations under the range of Rs.2.00Cr. over the same period. The current ratio stood at 2.30 times as on 31st March, 2024 as compared to 1.92 times as on 31st March, 2023. The cash and bank balances of the company stood at Rs.1.99 Cr. in FY2024. Acuité believes that going forward the liquidity position of the group will be sustained backed by steady cash accruals.

Outlook: Negative

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1777.61	1723.37
PAT	Rs. Cr.	10.38	22.05
PAT Margin	(%)	0.58	1.28
Total Debt/Tangible Net Worth	Times	0.93	1.26
PBDIT/Interest	Times	2.14	3.58

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
- Consolidation Of Companies: https://www.acuite.in/view-rating-criteria-60.htm
- Default Recognition: https://www.acuite.in/view-rating-criteria-52.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
09 Aug 2023	Cash Credit	Long Term	8.00	ACUITE BBB+ | Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB+ | Stable (Assigned)
	Cash Credit	Long Term	18.00	ACUITE BBB+ | Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE BBB+ | Negative | Reaffirmed | Stable to Negative
Central Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB+ | Negative | Reaffirmed | Stable to Negative
Standard Chartered Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.00	Simple	ACUITE BBB+ | Negative | Reaffirmed | Stable to Negative
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.00	Simple	ACUITE BBB+ | Negative | Assigned

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No	Name of the companies
1	Candy Enterprises Private Limited (CEPL)
2	Candy Spirits Private Limited (CSPL)

Contacts

Mohit Jain Senior Vice President-Rating Operations Archita Sharma Associate Analyst-Rating Operations	**Contact details exclusively for investors and lenders** Mob: +91 8591310146 Email ID: analyticalsupport@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.