



SMERA RATINGS LIMITED

VRV Foods Limited (VRV)*Rating
Rationale***November 06, 2013**

Facilities	Amount (Rs. Crore)	Rating
Working Capital Term Loan	1.80	SMERA D/Assigned
Term Loans	0.70	SMERA D/Assigned
Cash Credit	5.05	SMERA D/Assigned
Letter of Credit	27.00	SMERA D/Assigned

SMERA has assigned a rating of '**SMERA D**' (read as **SMERA D**) to the above-mentioned bank facilities of VRV Foods Limited (VRV). The rating reflects delays in servicing interest and repayment of term loan by the company. The rating also factors in the company's small scale of operations and weak financial profile marked by low net worth, operating losses, high leverage and low coverage indicators.

VRV is engaged in the production and bottling of Indian Made foreign Liquor (IMFL) and country liquor. The company also undertakes trading of imported edible oil and manufacturing of corrugated boxes. VRV sells liquor under the brand names Hill Top and Old Pine. The company bottles whisky, rum and vodka for various clients including John Distillers Limited, Globus Spirits Limited and UB Group Limited. VRV incurred delays in servicing interest and repayment of term loan obligations over the past six months. The company registered revenue de-growth of 6.74 per cent over FY2008-09 (refers to financial year, April 01 to March 31) to FY2011-12.

Although VRV registered profits in FY2009-10 and FY2010-11, the company incurred losses at operating and net levels in FY2011-12 due to fluctuations in prices of edible oils. VRV follows a high-leverage policy with total debt-to-equity ratio at 9.90 times as on March 31, 2012. The company's debt protection metrics are weak with DSCR at 0.05 times and interest coverage ratio at 0.50 times in FY2011-12.

VRV operates in a highly fragmented industry. The company is exposed to intense competition from several small and medium liquor bottling units across India.

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Mr. Ritesh Gupta, Managing Director of VRV, has eight years of experience in the company's line of business. Mr. Aditya Jain, Whole Time Director of VRV, manages the strategic decision making in the company. VRV has an experienced second line of management.

About the company

VRV was established on August 27, 1992 by Mr. Suraj P. Gupta and Ms. Anita Gupta. The company is presently managed by Mr. Ritesh Gupta, Mr. Aditya Jain and Mr. Rahul Jain.

VRV is engaged in the production and bottling IMFL and country liquor. The company is also involved in trading of edible oils and manufacturing of corrugated boxes. VRV sells liquor under the brand names Old Pine and Hill Top. VRV has a strong marketing network and 13 wholesale depots to manage liquor supplies across Himachal Pradesh.

Mr. Ritesh Gupta, Managing Director of VRV, has eight years of experience in the company's line of business.

For FY2011-12, VRV reported net loss of Rs.1.82 crore on total income of Rs.114.52 crore as compared with net profit of Rs.0.99 crore on total income of Rs.104.28 crore for FY2010-11. The company reported revenues of Rs.79.17 crore (provisional) in FY2012-13. The company's net worth stands at Rs.6.72 crore as on March 31, 2012 as compared with Rs.8.55 crore a year earlier

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