

June 18, 2014

Facility	Amount (Rs. Crore)	Rating
Cash Credit	6.00	SMERA B-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B-**' (**read as SMERA single B minus**) to the abovementioned bank facility of Nagpur Beverages Private Limited (NBPL). The outlook is '**Stable**'. The rating is constrained by the company's low profitability and below-average financial risk profile. The rating is further constrained by the company's stressed liquidity position. The rating factors in the susceptibility of the company's business to changing consumer preferences. However, the rating derives support from the company's healthy revenue growth and strong distribution network.

NBPL (incorporated in 1968) is a distributor of beverages manufactured by PepsiCo India. NBPL commenced the aforementioned distribution activity in FY2008-09 (refers to financial year, April 01 to March 31). The company's net profit margin is low at 0.37 per cent in FY2012-13. NBPL reported net profit of Rs.0.14 crore on total operating income of Rs.37.96 crore for FY2012-13. The company has a below-average financial risk profile marked by high leverage at 7.57 times as on March 31, 2013 and low interest coverage ratio of 1.76 times in FY2012-13. However, NBPL's total debt (of Rs.7.62 crore as on March 31, 2013) includes interest-free loans (of Rs.3.65 crore) from directors and shareholders. The company's net worth is low at Rs.1.01 crore as on March 31, 2013.

NBPL has a stressed liquidity position evidenced by high utilisation of cash credit limit during the year. The company's business is susceptible to changes in consumer preferences.

NBPL's revenue increased from Rs.2.82 crore in FY2008-09 to Rs.37.96 crore in FY2012-13. The company has a strong distribution network, which covers ~12,000 retailers in Orissa.

Outlook: Stable

SMERA believes that NBPL will continue to benefit over the medium term from its established distribution network. The outlook may be revised to 'Positive' in case the company scales up its operations while achieving improvement in profitability and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues, or in case of sharp deterioration in the company's profit margins or liquidity position.

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About the company

NBPL (incorporated on November 29, 1968) was founded by Mr. Amir Munaim, Mr. Huned Munaim, Mr. Zainul Varawala and Mr. Chinoobhai Shah. The company was taken over by Mr. Surya Kant Jaipuria (promoter of the SMV Group) in 1970. The SMV Group is a franchisee bottler of beverages manufactured by PepsiCo India. NBPL is engaged in distribution of beverages (manufactured by PepsiCo India) in Orissa. NBPL procures bottled beverages from SMV Beverages Private Limited (group entity).

NBPL is currently headed by Mr. J. M. Dhiran, Mr. Ramesh G. Umathe and Mr. Vaibhav Jaipuria. The company has a registered office in Nagpur (Maharashtra) and a warehouse in Orissa.

For FY2012–13, NBPL reported PAT of Rs.0.14 crore on total operating income of Rs.37.96 crore, as compared with PAT of Rs.0.11 crore on total operating income of Rs.18.01 crore for FY2011–12. NBPL's net worth stood at Rs.1.01 crore as on March 31, 2013, as compared with Rs.0.27 crore a year earlier.

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