



## Press Release

### Blue Ocean Beverages Private Limited

March 26, 2024

#### Ratings

Instrument/Facility	Amount (Rs Cr.)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	99.41 (reduced from 100.90)	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Downgraded	Simple
<b>Total</b>	<b>99.41 (INR Ninety Nine Crore and Forty One Lakhs Only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating downgrade of the bank facilities of Blue Ocean Beverages Private Limited (BOBPL) is on account of the deterioration in capital structure, gearing ratios and coverage indicators in FY23. The rating derives comfort from the experienced promoters and their long track record, growth in total operating income in FY23 and current fiscal and growth in profits in current fiscal. These rating strengths are partially offset by the geographical concentration of the Company in the state of Karnataka, the fact that the profitability margins of the Company are exposed to the volatility in prices of key raw materials, and the vulnerability of the Company to adverse regulatory changes.

#### Key Rating Sensitivities:

##### Upward Factors

- Continuous improvement in scale of operations, profitability and cash accruals.
- Sustained improvement in capital structure and coverage indicators.

##### Downward Factors

- Any significant deterioration in operating cost structure because of upward movement in raw material prices.
- Any adverse regulation impacting the operating income and profits of the Company negatively.
- Steady deterioration in working capital cycle.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced promoters with long track record**

The Company has been in existence since 2007 and the two founding promoters, Mr. P.C. Joseph George and Mr. Albin P. Mathew each have an experience of more than two decades in the alcohol industry. The third promoter, Mr. Mrinal Manu came on board in 2015. The trio have divided the core functions effectively among themselves with Mr. George being responsible for marketing, Mr. Mathew for finance and Mr. Manu for operations. The extensive experience of all the promoters have helped the Company to grow from strength to strength over the years. Recently, Mr. Philipose Matthai who is a retired IAS officer has also joined as a Director of the Company

- **Growth in Total Operating Income in FY23 and current fiscal and growth in profits in current fiscal**

The Total Operating Income of the Company increased by ~23% YoY between FY22 and FY23 (TOI was INR178.20 crore in FY22 and INR220.24 crore in FY23). That was primarily because of increased volume of cases of Old Monk Rum sold and increased prices of the said product. The EBITDA in absolute term, however, remained flat at INR16.23 crore in FY23 compared to INR16.69 crore in FY22, primarily because of increased raw material cost. PAT deteriorated by ~67% YoY from INR6.26 crore in FY22 to INR2.09 crore in FY23 because of higher depreciation and interest charges in FY23. The EBITDA margin deteriorated from 9.37% in FY22 to 7.37% in FY23, the PAT margin deteriorated from 3.50% in FY22 to 0.95% in FY23. The performance in current fiscal (9MFY24) is better than 9MFY23 on all parameters – The Total Operating Income increased by 5.33% YoY from INR169.73 crore in 9MFY23 to INR178.79 crore in 9MFY24 while EBITDA increased by 54.32% YoY because of low raw material costs in 9MFY24 (INR17.16 crore) compared to 9MFY23 (INR11.12 crore). PAT increased by ~162% YoY from INR1.39 crore in 9MFY23 to INR3.64 crore in 9MFY24.

#### Key Rating Weaknesses

- **Deterioration in capital structure, gearing ratios and coverage indicators in FY23**



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The total debt of the Company increased from INR83.90 crore on March 31, 2022 to INR107.15 crore on March 31, 2023 while the long term debt increased from INR14.45 crore on March 31, 2022 to INR27.96 crore on March 31, 2023. Consequently, the Overall Gearing ratio deteriorated from 2.26x on March 31, 2022 to 3.05x on March 31, 2023 and the interest coverage ratio dropped to 1.68x in FY23 from 2.32x in FY22 and the DSCR dropped from 1.60x in FY22 to 1.33x in FY23. The TOL/TNW ratio also deteriorated from 3.83x in FY22 to 4.31x in FY23.

- **Geographical concentration in the state of Karnataka**

Almost 85% of the domestic sales of the Company in FY22 was generated in the state of Karnataka with Karnataka State Beverages Corporation being the sole buyer for all sales in Karnataka as the sale of retail alcohol in Karnataka is controlled by the state government. Thus, there is a definitely a geographical concentration risk. However, the Company is trying to mitigate it by entering into other southern states like Kerala, AP, and Telangana along with boosting its exports revenue.

- **Profitability margins exposed to volatility in prices of key raw materials**

ENA and malt are the key raw materials for the Company. These commodities have exhibited considerable volatility in the recent past due to various reasons, such as government policies, effects of monsoon, demand-supply scenario, etc. Profitability margins of liquor manufacturers are exposed to adverse movement in the prices of these commodities, thus, any unprecedented increase in their prices going forward, may impact the Company's profitability.

- **Vulnerability to adverse regulatory changes**

The liquor industry is highly regulated with the state governments controlling selling and distribution. Any change in government policies with respect to production and distribution or any material change in the excise duty may impact the liquor industry and therefore the Company in an adverse way.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)



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[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)  
[Criteria of assigning rating outlook](#)

### **Liquidity – Adequate**

The Company had a comfortable current ratio of 1.32x as on March 31, 2023. Current ratio is expected to remain between 1.28x and 1.38x between March 31, 2024 and March 31, 2026. The GCAs of each of the years between FY24 and FY26 comfortably cover the debt repayments due in the respective years. The Operating Cycle was 61 days in FY23, it is expected to remain within 78-85 days in FY24-26. The average utilisation of working capital limits is high at around 95% between January 2023 and December 2023.

### **About the Company**

Blue Ocean Beverages Private Limited's (BOBPL) primary business is into the bottling of Old Monk variants of rum, a brand owned by Mohan Meakins (MM). The association with Mohan Meakins started in 2008 when the franchisee rights were given by MM to BOBPL in the state of Goa. Its other business includes manufacturing of own branded liquor (IMFL) and job work of Teacher's whisky, Lemon Wedge, Euphoric Beverages, etc. The Company is present in both domestic and export markets.

### **Financials (Standalone):**

For the year ended* / As on	INR in Crores	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	178.20	220.24
EBITDA	16.69	16.23
PAT	6.26	2.09
Total Debt	83.90	107.15
Tangible Net worth	37.19	35.12
EBIDTA Margin (%)	9.37	7.37
PAT Margin (%)	3.50	0.95
Overall Gearing ratio (X)	2.26	3.05

*\*Classification as per infomerics' standards*



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**Status of non-cooperation with previous CRA:** CRISIL has continued to classify Blue Ocean Beverages Private Limited as “Non cooperating” vide its press releases dated November 27, 2023 because of non-submission of information.

CARE has continued to classify Blue Ocean Beverages Private Limited as “Non cooperating” vide its press releases dated and March 15, 2023 because of non-submission of information.

**Any other information: N.A.**

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Mar 21, 2023)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loans	Long Term	11.41	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
2.	Cash Credit	Long Term	88.00	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-

### Name and Contact Details of the Rating Analyst:

Name: Mr. Shantanu Basu Tel: (033) 48033621 Email: <a href="mailto:Shantanu.basu@infomerics.com">Shantanu.basu@infomerics.com</a>	Name: Mr. Sandeep Khaitan Tel: (033) 48033621 Email: <a href="mailto:Sandeep.khaitan@infomerics.com">Sandeep.khaitan@infomerics.com</a>
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### About Infomerics Ratings:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).





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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs Cr.)	Rating Assigned/ Outlook
Term Loan 1	-	-	July 2026	1.80	IVR BBB-/ Stable
Term Loan 2	-	-	October 2027	4.38	IVR BBB-/ Stable
Term Loan 3	-	-	October 2027	5.23	IVR BBB-/ Stable
Cash Credit 1	-	-	-	35.00	IVR BBB-/ Stable
Cash Credit 2	-	-	-	35.00	IVR BBB-/ Stable
Cash Credit 3	-	-	-	18.00	IVR BBB-/ Stable

**Annexure 2: List of companies considered for consolidated analysis: NA**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-BlueOcean-mar24.pdf>

**Annexure 4: Detailed explanation of covenants of the rated facilities: Not Applicable.**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).