



## Press Release

### Blue Ocean Beverages Private Limited

March 21, 2023

#### Ratings

Instrument/Facility	Amount (Rs Cr.)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	100.90	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
<b>Total</b>	<b>100.90</b>  <b>(One hundred crore and ninety lakhs only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Blue Ocean Beverages Private Limited (BOBPL) derives comfort from the experienced promoters and their long track record, impressive growth in operating income and profits with enhancement in margins in FY22, moderate capital structure and debt protection metrics in FY22 despite substantial capex in that year, and the fact that the capex cycle of the Company is behind with return ratios and debt coverage indicators expected to improve going forward. 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.

- **Impressive growth in operating income and profits with enhancement in margins**

Between FY21 and FY22, the Company grew its Total Operating Income (TOI) at a rate of 34% from INR132.67 crore in FY21 to INR178.21 crore in FY22. Operating Profit or EBITDA grew at a rate of 87% during the same period primarily due to operating leverage while PAT grew at a rate of 110% in the same period. EBITDA margins got enhanced from 6.29% in FY21 to 8.77% in FY22 while PAT margins got enhanced from 2.24% in FY21 to 3.50% in FY22. Infomerics expects the superior growth and decent margin profile of the Company to continue in the medium term given the decent demand of the Company's beverages and the overall growth of the sector. The 9MFY23 provisional results have also been very comfortable compared to 9MFY22. While TOI has increased by 35.71%YoY to INR166.68 crore in 9MFY23, EBITDA and PBT have increased by 40.53% YoY and 59.61% YoY respectively to INR15.99 crore and INR8.27 crore in 9MFY23.

- **Moderate capital structure and debt protection metrics in FY22 despite substantial capex in that year**

The capital structure and debt protection metrics remained moderate for the Company in FY22 compared to FY21 despite substantial capex in FY22. This was largely because of increased profits which ultimately flowed into the net worth of the Company. Besides, out of ~INR32 crore capex, debt funding was resorted only to the tune of ~INR10 crore. Overall Gearing of the Company increased marginally from 2.16x on March 31, 2021 to 2.26x on March 31, 2022. TOL/TNW also increased marginally from 3.40x on March 31, 2021 to 3.84x on March 31,



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2022. Interest Coverage ratio improved slightly from 2.34x in FY21 to 2.55x in FY22 while DSCR dropped from 2.10x in FY21 to 1.78x in FY22.

- **Capex cycle is behind, return ratios and debt coverage indicators to improve going forward**

The Company incurred a substantial capex of ~INR32 crore in FY22 to increase its capacity. The capacity utilisation in FY22 post this capex was around 43% thus leaving enough room for growth in the medium term without incurring further capex. Infomerics thus believes that the return ratios of the Company are bound to improve in the medium term given improvement in demand and higher asset turns. The consequent improvement in operating profits would also impact the debt coverage ratios favourably.

### Key Rating Weaknesses

- **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 increasing its volume in other southern states like Kerala, AP, and Telangana where the Company is already having its presence 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



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### Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

### **Liquidity – Adequate**

The Company had a comfortable current ratio of 1.30x as on March 31, 2022. Current ratios are expected to remain between 1.31x and 1.39x between March 31, 2023 and March 31, 2025. The GCAs of each of the years between FY23 and FY25 should comfortably cover the debt repayments due in the respective years. The Operating Cycle was 56 days in FY22, it is expected to remain within 57-61 days in FY23-25. The average utilisation of working capital limits was high at around 94% between January 2022 and December 2022. No capex is planned between FY23 and FY25.

### **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 Limited (MML). The association with Mohan Meakins started in 2008 when the franchisee rights were given by MM to BOBPL in the state of Goa followed by Pondicherry, Telangana, Kerala, and Karnataka. Its other business includes manufacturing of own branded liquor (IMFL) and job work of Teacher's whisky. The Company is present in both domestic and export markets.

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

INR in Crores

For the year ended* / As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	132.67	178.21
EBITDA	8.34	15.63
PAT	2.98	6.26
Total Debt	51.86	83.90
Tangible Net worth (Adjusted)	23.98	37.18
EBIDTA Margin (%)	6.29	8.77
PAT Margin (%)	2.24	3.50



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Overall Gearing ratio (Adjusted) (X)	2.16	2.26
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*\*Classification as per infomerics' standards*

**Status of non-cooperation with previous CRA:** CRISIL and CARE have classified Blue Ocean Beverages Private Limited as "Non cooperating" vide its press releases dated September 29, 2022 and March 15, 2023 respectively.

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

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loans	Long Term	12.90	IVR BBB-/ Stable	-	-	-
2.	Cash Credit	Long Term	88.00	IVR BBB-/ Stable	-	-	-

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### About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.





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

For more information visit [www.infomerics.com](http://www.infomerics.com)

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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	2.87	IVR BBB-/ Stable
Term Loan 2	-	-	October 2027	4.65	IVR BBB-/ Stable
Term Loan 3	-	-	October 2027	5.38	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-mar23.pdf>



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**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).

