



Press Release

Inbrew Beverages Private Limited (IBPL)

September 12, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Rating Action	Complexity Indicator
Proposed Non-Convertible Debentures (NCDs)*	685.00 (Increased from 660)	IVR BB; stable (IVR Double B with stable outlook)	Reaffirmed	Simple
Total	685.00 (Rupees Six Hundred Eighty-Five Crore Only)			

**The proposed NCDs of Rs.685.00 crore shall be issued through private placement.*

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of ratings to the proposed NCDs of Inbrew Beverages Private Limited (IBPL) takes into consideration experienced promoters with an established track record in the industry, favourable demand outlook for alcohol industry and comfortable capital structure. However, the ratings are constrained by modest scale of operations with moderate profit margins working capital intensive nature of business, susceptibility to volatility in raw material prices and change in government regulations, intense competition from distributors of other liquor manufacturing principals, highly regulated business with high duties and taxes albeit high entry barriers benefitting the incumbents.

Key Rating Sensitivities

Upward Factors

- Improvement in revenues or Improvement in operating margin higher than 10%
- Sustained improvement in EBIDTA margin of more than 10%
- Improvement in financial risk and working capital cycle

Downward Factors

- Any decline in revenues or decline in operating margin below 8% resulting in much lower cash accruals
- Large debt funded capex or stretch in working capital cycle resulting in deterioration in financial risk profile
- Any major debt funded capex incurred by the company resulting in deterioration in the debt protection metrics and/or liquidity position



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters with an established track record in the industry

Inbrew Beverages Private Limited (Formerly known as Molson Coors India Private Limited) was incorporated in October 1972. The Company is engaged in the business of manufacture and sale of alcohol beverages including arrangements with various breweries for brewing and sales operations and managed by Mr. Ravinder Singh Deol, Mr. K. Laxmi Narasimhan and Mr. Dinesh Garg who are the directors of the company. They look after the day-to-day affairs of the company. Promoters are supported by a team of experienced and qualified professionals also. Mr. Dinesh Garg has more than two decades of rich experience in liquor business. He worked with leading companies like Radico Khaitan, USL/Diageo. He has an expert knowledge on liquor excise matters, cost controls, working capital management etc.

Favourable demand outlook for alcohol industry

India is one of the fastest growing alcohol markets in the world. Rapid increase in urban population, sizable middle-class population with rising spending power, and a sound economy are certain significant reasons behind increase in consumption of alcohol in India. The Indian alcohol market is growing at a CAGR of 8.8% and it is expected to reach 16.8 billion liters of consumption by the year 2022. The popularity of wine and vodka is increasing at a remarkable CAGR of 21.8% and 22.8% respectively. India is the largest consumer of whiskey in the world, and it constitutes about 60% of the IMFL market.

Comfortable capital structure

The capital structure continued to remain comfortable levels marked by overall gearing and TOL/TNW. Although, the tangible networth of the company remained moderate at Rs. 158.23 crore, led by moderate accretion of reserves & surplus, the overall gearing and TOL/TNW remained largely stable at 0.02 x & 0.31x respectively as on March 31, 2022, as against 0.02x & 0.23x respectively as on March 31, 2021.

Key Rating Weaknesses

Modest scale of operations with moderate profit margins

The total income of the company fluctuating during FY20-22 backed by fluctuation in sales volume and average realization. The revenue of the company increased to Rs.143.93 crore in FY22 as against Rs.137.82 crore in FY21. Company has reported net losses during FY20-22 backed by high cost of production.



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Working capital intensive nature of business

Operations are working capital intensive with estimated Gross Current Assets (GCA) of 224 days as on March 31, 2022, on account of inventory of 47 days and debtors of 87 days. GCA are expected to remain at similar levels over the medium term.

Intense competition from distributors of other liquor manufacturing principals

The company faces intense competition from distributors of other liquor manufacturing principals. However, IBPL established presence more than four decades gives it some comfort. Further, discretionary nature of the expenditure also may sometimes limit demand, especially in times of subdued incomes.

Highly regulated business with high duties and taxes albeit high entry barriers benefitting the incumbents

The Liquor industry is highly regulated in India with each State government formulating its own policy for production, distribution, retailing and duty structure independently. As a result, there are difficulties in transfer of production from one state to another, along with huge burden of duties and taxes. Moreover, the organized alcohol industry is dominated by very few large players. Further, high taxation and heavy regulation also make the industry dynamics complex. Government levies various duties like excise duty, sales tax, license fee, state level import and export duty, bottling fee, welfare levy, assessment fee, franchise fee, turnover tax, surcharge etc. which varies from state to state. There is a ban on all forms of direct and indirect advertising for liquor in the country, leading to market players resorting to surrogate advertising. Moreover, the complexity of the industry further lies in the different types of distribution models followed in various states like government-controlled agencies, private distribution system and auction. The regulations at State levels are prone to frequent changes and be sudden and uncertain. The direction or timing of any regulatory changes being difficult to predict, industry is vulnerable to such unanticipated changes. Also, the Government has been running anti-alcohol campaigns to increase social awareness amongst people on hazards of consumption of alcohol and also increased duty on alcohol in order to refrain people from consuming it. Thus, given the strategic role of state government in the liquor industry, the company remains exposed to risks associated with regulatory changes. Liquor policies governing production and sale are entirely controlled by respective State Governments. With all the alcohol consuming States/Union Territories having its own rules and regulations, it is very difficult for new entrants to get licenses thus providing a competitive edge to existing players. However, the States have been reasonably flexible in



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granting expansion of existing capacity to meet demands. This acts in favour of incumbents as new players find it difficult to start.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for [Manufacturing Companies](#)

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

[Criteria on Rating Outlook](#)

Liquidity – Adequate

The liquidity of the company remains adequate marked by the sufficient cash accruals as against the long-term debt repayment obligations. The liquidity position continues to remain adequate with current ratio stood 1.83x as on March 31, 2022, as against at 2.38x as on March 31, 2021. Cash & Cash equivalent of the company was Rs. 25.36 crore as on March 31, 2022.

About the Company

Inbrew Beverages Private Limited (formerly Molson Coors India Private Limited) (the 'Company') was incorporated on 31 October 1972. Inbrew Holdings Pte Limited, Singapore acquired the Company on 25 February 2021 through the purchase of equity shares and compulsorily convertible debentures from Coors Brewing Company, United States of America. Consequently, Inbrew Holdings Pte Limited is the holding Company with effect from 25 February 2021. The name of the Company has been changed from Molson Coors India Private Limited to Inbrew Beverages Private Limited with effect from 27 August 2021. The Company was originally incorporated with the name of Mount Shivaliks Breweries Limited. Mr. Ravinder Singh Deol, Mr. K. Laxmi Narasimhan and Mr. Dinesh Garg who are the directors of the company.

The Company is engaged in the business of manufacture and sale of alcohol beverages including arrangements with various breweries for brewing and sales operations. The Company has brewing facilities at Bhankarpur in Punjab and Saha in Haryana, along with sales depots across various locations in India through which sale of such beverage alcohol are made. The company sells its product under different brand name such as Thunderbolt, Miller, Blue Moon, Carling, and Cobra.



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Financials (Standalone):

(Rs. crore)

For the year ended/* As On	31-03-2021	31-03-2022
	(Audited)	(Audited)
Total Operating Income	137.82	143.93
EBITDA	-44.96	-9.70
PAT	-58.89	-29.10
Total Debt	3.35	3.70
Tangible Net-worth	187.35	158.23
Ratios:		
EBITDA Margin (%)	-32.62	-6.74
PAT Margin (%)	-40.03	-19.55
Overall Gearing Ratio (x)	0.02	0.02

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

(Rs. crore)

Sr. No	Name of Instrument /Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount	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.	Proposed Non-Convertible Debentures (NCDs)	Long Term	685.00	IVR BB/ Stable	-	-	-

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About Infomerics:

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.



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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.

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.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Proposed Non-Convertible Debentures (NCDs)	-	-	-	685.00	IVR BB/Stable (IVR Double B with Stable Outlook)

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details: Not Applicable



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Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

Name of the Instrument	Detailed Explanation
Security name	NCDs (Private placement)
Objects of the Issue / Details of the utilization of the proceeds	The proceeds of the issue will be utilised for Capital expenditure/working capital
Coupon Rate	12.50% per annum
Tenor	Up to 36 months from deemed date of allotment
Non - Financial Covenant	
Call option	Nil
Financial Covenant	Onshore net leverage for relevant period not more than 4.25x

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.