



## Press Release

**Monika Alcobev Limited (MAL)**

**April 27, 2023**

### Ratings

Facilities	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund Based Facility – Cash Credit	52.50	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Proposed Long Term Fund Based Facility – Cash Credit	25.25	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Non-Fund Based Bank Facility – Derivative	2.25	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>80.00</b>	<b>Rupees Eighty Crore Only</b>		

### Details of facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Monika Alcobev Limited derives comfort from experienced promoter in the liquor trading industry along with long track record of operations, established relationship with key liquor manufacturing principals, large customer base marked by high demand in the geographical location, increase in revenue and high profitability in line with nature of operations. The ratings are, however, constrained by working capital intensive operations, intense competition from distributors of other liquor manufacturing principals and the presence in the highly regulated liquor industry.

#### Key Rating Sensitivities:

#### Upward Factors

- Substantial growth in scale with improvement in profitability margins.
- Optimizing the working capital cycle thereby reducing dependence on external borrowings.



## Press Release

- Significant improvement in debt protection parameters and liquidity position of the company

### **Downward Factors**

- Any decline in revenue and/or EBITDA margin leading to decline in debt protection metrics.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths:**

#### **Experienced promoters in the liquor trading industry, long track record of operations:**

MAL has a long track record of more than three decades in the liquor trading segment operating in India. Further, Mr. Bhimji Patel, has a vast experience of over 35 years in the liquor industry. Mr. Kunal Patel joined the business and made a foray into BIO (imported) liquor as well as optimising its warehousing and distribution network. The business gained further momentum in exports markets and spread to seven major export markets.

#### **Established relationship with key liquor manufacturing principals:**

MAL distributes beer, whiskey, scotch, wine and other liquor products of key liquor manufacturing principals, namely Belenkya, Jose Cuevo, Bushmills, Laurent- Perrier, Templeton Rye, Diplomatico Reserva etc. Additionally, the company also distributes imported labels of whiskey, scotch, tequila and other products. It has got 60+ brands across Champagne, wine, whiskey, tequila, vodka etc.

#### **Large customer base marked by high demand in the geographical location:**

MAL has a strong presence across alcoholic beverages including cognac, champagne, wine, whiskey, tequila, vodka, rum, gin, etc. It has a strong and well diversified sales network in India and overseas (including tie-ups for distribution over Tier 1 and Tier 2 cities with Governments and Private players, Duty Free Shops, Restaurants & Hotels and State Govt. / Quasi Govt. bodies).



## Press Release

### **Increase in Revenue and high profitability in line with nature of operations:**

The total operating income of the MAL remained stable to Rs.97.20 crores in FY22 as against Rs. 96.17 crores in FY21 on account of moderate demand from the market. The EBITDA however improved to Rs.16.83 crores in FY22 as against Rs.15.20 crores in FY21 with stable improvement in PAT. The operating profitability in the past have remained thin on account of high value additive trading nature of business. The company EBITDA remained in the range of 15-17% in the past three years and the PAT margin at a comfortable range of ~8%.

During 9MFY23 the Company has achieved a revenue of Rs. 105.31 crores as against Rs.82.90 crores in 9MFY22. The EBITDA and PAT margins have also improved to 15.14% and 8.45% in 9MFY23 as compared to 15.68% and 7.03% in 9MFY22 on account of increased demand and timely availability of the products.

### **B. Key Rating Weaknesses**

#### **Working capital intensive operations:**

The working capital requirements are met through the cash credit and unsecured loans. MAL gives around 118 days of credit to its customers. Though the inventory fluctuates depending upon the demand and supply scenario, the company usually keeps stock of around 157 days. Against this, the company receives 60 days of credit from suppliers. On account of limited credit from suppliers, the company is dependent on working capital limits as reflected by the working capital utilization for the last 12 months ending February 2023 remaining ~89%.

#### **Intense competition from distributors of other liquor manufacturing principals:**

The company faces intense competition from distributors of other liquor manufacturing principals. However, MAL's established presence over three decades imparts some comfort. Further, discretionary nature of the expenditure also may sometimes limit demand especially in times of subdued incomes.

#### **Presence in the highly regulated liquor industry:**

Liquor is a state subject and hence, each state formulates its own policies and there are no uniform nation-wide laws governing the sector. There are restrictions on the inter-state movement of liquor and such movement invites a tax which has a significant bearing on the pricing of the final product and curtails profitability to a large extent.



## Press Release

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for rating outlook](#)

**Liquidity – Adequate**

The Company has an adequate liquidity marked by healthy cash accruals generation against moderate term debt repayment obligations, moderate working capital utilization. In addition, as on 31st March 2022, cash and cash equivalents stood at Rs. 0.75 crores. The company has utilized its fund-based working capital limit which was at 88% utilized during twelve months ending February 2023 and the non-fund-based facilities remains unutilized. The current ratio stood at 1.77x as in FY2022.

**About the Company**

Monika Alcobev took birth with Bhimji Nanji Patel's vision of introducing foreign liquor to India. Since 2017, the business evolved into a family-owned company with a multi-disciplinary set up that had its interests in diverse portfolios; in providing a disparate range of choices for the Indian market. The company has expanded with a single purpose, which is to not only bring the most elite products to the table, but to also curate a special range of wines and spirits that are additionally extraordinary because they are affordable. Over the years, Monika Alcobev has managed to create business verticals within the same industry which has supported them to create an end-to-end solution for anything that a brand would require to kick start their business, here in India.



## Press Release

### Financials (Standalone):

(Rs. Crore)

For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	96.17	97.20
EBITDA	15.20	16.83
PAT	7.86	7.77
Total Debt	37.62	49.32
Adjusted Tangible Net Worth	23.77	33.76
<b>Ratios</b>		
EBITDA Margin (%)	15.80	17.32
PAT Margin (%)	8.08	7.95
Overall Gearing Ratio (x)	1.58	1.18

\* 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:**

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based Bank Facility – Cash Credit	Long Term	52.50	IVR BBB- / Stable	-	-	-
2.	Proposed Fund Based Bank Facility – Cash Credit	Long Term	25.25	IVR BBB- / Stable	-	-	-
3.	Non-Fund Based Bank Facility – Bank Guarantee	Short Term	2.25	IVR A3	-	-	-

### **Name and Contact Details of the Rating Analysts:**

Name: Shruti P. Sagothia Tel: (022) 62396023 Email: <a href="mailto:shruti.sagothia@infomerics.com">shruti.sagothia@infomerics.com</a>	Name: Amit Bhuwania Tel: (022) 62396023 Email: <a href="mailto:abhuwania@infomerics.com">abhuwania@infomerics.com</a>
--	---



## Press Release

### About Infomerics:

Infomerics Valuation and Rating Private Limited (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.

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)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.





## Press Release

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	--	--	--	52.50	IVR BBB- / Stable
Proposed Cash Credit	--	--	--	25.25	IVR BBB- / Stable
Derivative	--	--	--	2.25	IVR A3

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-MonikaAlcobeve-apr23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/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 <https://www.infomerics.com/>.