



## Press Release

**Monika Alcobev Limited (MAL)**

**June 25, 2024**

### Ratings

Facilities	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	64.00 (Enhanced from 52.50)	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facilities	69.00	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	--	Assigned	Simple
Short Term Bank Facilities	15.00	IVR A3 (IVR A Three)	--	Assigned	Simple
Short Term Facilities	0.00 (Reduced from 2.25)	--	IVR A3 (IVR A Three)	Withdrawn*	Simple
<b>Total</b>	<b>148.00</b>	<b>Rupees One Hundred and Forty Eight Crore Only</b>			

*\*Withdrawn since the facilities has been cancelled as per confirmation received from banker*

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

### Detailed Rationale

Infomerics Ratings has reaffirmed/assigned its ratings to the bank facilities of Monika Alcobev Limited derives comfort from sustained improvement in revenue with strong profitability, comfortable capital structure and debt protection metrics, experienced promoter in the liquor trading industry, established relationship with key liquor manufacturing principals, large customer base marked by high demand in the geographical location. 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. Simultaneously, Infomerics has withdrawn the ratings assigned to MAL's short-term facilities based on request by the client, confirmation received by the banker for cancellation of the facilities and this withdrawal is in line with the Infomerics Policy of Withdrawal.



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### 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.
- 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:

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

The total operating income of MAL increased by ~14% on y-o-y basis to Rs.181.90 crores in FY24(P) (period refers from April 1,2023 to March 31, 2024) led by geographical diversification and product addition. EBITDA margins remained strong and in the range of 17%-18% through FY23-FY24 (P); while PAT margins remained healthy and in the range of 8%-9% in the same period. MAL has been able to maintain strong profitability due to strong demand of the product and stable realisation.

##### **Comfortable capital structure and debt protection metrics**

Net worth has improved to Rs.58.74 crore at the end of FY24(P) (FY23: Rs.17.22) as promoters have diluted 12.5% stake in the company and raised Rs.27.50 crore during 2024. Due to significant increase in net worth, capital structure in terms of overall gearing as well as TOL/TNW has improved to 2.1x and 2.58x respectively as on 31<sup>st</sup> March 2024 (31<sup>st</sup> March 2023:4.19x and 6.45x). The interest coverage ratio slightly declined to 3.39x in FY24(P) (FY23: 4.45x) on account of increase in interest expenses despite increase in absolute EBITDA. DSCR remained stable at 2.49x in FY24(P) when compared to 2.69x in FY23. Ability to maintain capital structure at the current levels with increase in scale of operations will be a key monitorable.



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**Experienced promoters in the liquor trading industry,** Mr. Bhimji Patel, promoter of the company has a more than three decades of experience in the liquor industry.

**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 exclusive rights for around 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).

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

**Working capital intensive operations:**

MAL's operations are working capital intensive in nature reflected by net operating cycle of 265 days at the end of FY24 as compared 177 days in FY23. MAL extends credit of 160 days to its customer, receivable days stood at xx at the end of FY24, while MAL keeps inventory of around 140-150 days in view of continuous demand for the product. Average working capital utilisation for twelve months ended March 24 stood at ~74%.

**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.



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### **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.

### **Analytical Approach:** Standalone

### **Applicable Criteria:**

[Rating Methodology for Trading Companies](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Policy on Withdrawal of ratings](#)

### **Liquidity – Adequate**

MAL has an adequate liquidity marked by healthy cash accruals generation amounting to Rs.17.00 crore to Rs.44.00 crore against moderate term debt repayment obligations of Rs.1.71 crore to Rs.0.66 crore during FY25-27. Further, it does not have any major debt funded capex plans during FY 25-27. The current ratio stood at 1.40x as in FY2024(P).

### **About the Company**

MAL is a family-owned company with a multi-disciplinary set up that had its interests in diverse portfolios and its sells and markets brands of various multinational distillery companies.



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### Financials (Standalone):

(Rs. Crore)

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	97.20	165.74
EBITDA	16.83	28.58
PAT	7.77	15.56
Total Debt	69.32	72.24
Adjusted Tangible Net Worth	4.29	17.22
<b>Ratios</b>		
EBITDA Margin (%)	17.32	17.25
PAT Margin (%)	7.95	9.33
Overall Gearing Ratio (x)	16.16	4.19
Interest Coverage Ratio (x)	3.95	4.45

\* 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 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (Apr 27, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Cash Credit	Long Term	64.00	IVR BBB- / Stable	IVR BBB- / Stable	--	--
2.	Derivatives*	Short Term	0.00	--	IVR A3	--	--
3.	Cash Credit	Long Term	69.00	IVR BBB- / Stable	--	--	--
4.	SLC/Overdraft	Short Term	15.00	IVR A3	--	--	--

\*Withdrawn since the facility has been cancelled as per confirmation received from banker



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

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### About Infomerics:

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).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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.

For more information and definition of ratings please 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. Crore)	Rating Assigned/ Outlook
Cash Credit	--	--	Revolving	133.00	IVR BBB- / Stable
SLC/Overdraft	--	--	--	15.00	IVR A3

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Monika-Alcobe-v-june2024.pdf>

**Annexure 3: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable

**Annexure 4: List of companies considered for consolidated analysis:** 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/>.