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NV Distilleries & Breweries Private Limited

January 10, 2023

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities – Fund Based	150.57 (Reduced from Rs. 186.90 crore)	IVR BBB+/ Stable (IVR Triple B Plus/ Stable)	IVR BBB/ Credit Watch with Developing Implications (IVR Triple B / Credit Watch with Developing Implications)	Upgraded with revised outlook	Simple
2.	Short Term Bank Facilities- Fund Based (Proposed)	60.00 (Increased from Rs. 50.00 crore)	IVR A2 (IVR Single A Two)	IVR A3+ / Credit Watch with Developing Implications (IVR Single A Three Plus/ Credit Watch with Developing Implications)	Upgraded with revised outlook	Simple
	Short Term Bank Facilities- Non-Fund Based	4.75	IVR A2 (IVR Single A Two)	IVR A3+ / Credit Watch with Developing Implications (IVR Single A Three Plus/ Credit Watch with Developing Implications)	Upgraded with revised outlook	Simple
	Total	215.32	Rs. Two Hundred Fifteen crore & Thirty-two lakhs only			

Details of Facilities are in Annexure 1.

Detailed Rationale

The rating upgradation of **NV Distilleries & Breweries Private Limited** considers the consistent scale of operations, better overall financial risk profile, continuous healthy performance in FY22 & H1FY23. The rating assigned to the bank facilities of NV Distilleries & Breweries Private Limited (NVDBPL) continues to draw comfort from parentage of the NV group and strong support from group synergy, locational advantage and satisfactory financial risk profile marked by satisfactory gearing and debt protection metrics. However, the rating



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strengths continues to partially offset due to its volatility in input prices, competition from unorganized players, vulnerability to regulatory changes in the liquor industry and working capital intensive nature of operations.

Upward Factors

- Substantial and sustained growth in operating income and improvement in profitability
- Sustenance of the capital structure and improvement in debt protection metrics
- Geographical diversification in sales

Downward Factors

- Moderation in operating income and/or cash accrual or deterioration in operating margin, any stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure affecting the financial risk profile, particularly liquidity.
- Deterioration in overall gearing to over 2.00x and interest coverage to below 1.8x

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Parentage of the NV group and strong support from group synergy**

The promoters of the NV group have more than two decades of experience in the beverage industry. Currently, Mr. Ashok Jain (Whole Time Director) and Mr. Sameer Goyal (Managing Director) with more than two decades of experience in the beverage industry is at the helm of affairs of the company.

- **Locational advantage**

NVDBPL distributes Country Liquor (CL) & IMFL in Punjab and nearby states which are one of the biggest consumers of liquor in North Region. NVDBPL has a grain-based distillery in Rajpura (Punjab) which provides locational advantage in terms of availability of raw material (Broken Rice) in Punjab and neighboring states (Haryana & UP).

- **Satisfactory financial risk profile marked by satisfactory gearing**



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NVDBPL has a satisfactory financial risk profile, with the long-term debt equity and the overall gearing ratio of the company stood satisfactory at 0.31x and 0.62x respectively as on March 31, 2022 and has remained stagnant this year on account of no major addition of borrowings and comfortable tangible net worth. The debt protection parameters reflected by interest coverage ratio remained strong from 2.66x in FY21 to 3.12x in FY22. Further, the Total debt to GCA has improved significantly from 7.40 in FY21 to 4.14 in FY22 due high GCA on account of higher PAT and TOL/ANW remained comfortable at 1.07x as on March 31, 2022.

Key Rating Weaknesses

- **Volatility in input prices**

NV group uses ENA as a raw material for its production. About 50% of cost of raw materials equivalents to the ENA cost. The price of ENA may vary as major raw material for ENA is grains (Broken rice) and the same may vary depending on the production, since grains are seasonal products being susceptible to vagaries of nature.

- **Competition of unorganized players**

Alcohol industry is susceptible to low entry barriers and adulteration is common in the small set-ups of country liquor. Hence that poses a threat as those are cheaper options.

- **Vulnerability to regulatory changes in the liquor industry**

The liquor industry in India is governed by strict government regulations and license regime that differ from state to state. India's states each have their own regulatory controls on the production, marketing, and distribution, and even pricing of alcohol. Further, high taxation and duties also make the industry dynamics complex. The business risk profile thus remains vulnerable to any changes in the license authorisation policy, taxes, and duty structure.

- **Working capital intensive nature of operations**

The operating cycle remained elongated at 150 days majorly due to stretched inventory days at 149 days in FY22. The major raw material for production is Grain (Broken Rice), majorly



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used by the company for manufacturing for Extra Neutral Alcohol, they maintain high stock of grain to ensure uninterrupted operation of distillery.

Analytical Approach: For arriving at the ratings, INFOMERICS analytical team has combined the financials of NV Distilleries Pvt Ltd (NVDPL), NV Distilleries & Breweries Pvt Ltd (NVDBPL), and NV International Pvt Ltd (NVIPL) commonly referred as NV Group as these companies have a common management team and operational & financial linkages.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity – Adequate

On a standalone basis, the liquidity profile of NVDBPL is expected to remain adequate with its satisfactory gross cash accruals of INR 40.47 Crore against its debt repayment obligations of Rs. 33.26 crore in FY22. The current ratio as on FY22 stood comfortably at 1.40. Further, the average Cash Credit utilisation is remained stretched at about 96.65% during the past 12 months ended in September 2022 showcasing low liquidity buffer.

About the Company

NVDBPL, a part of NV group has grain-based distillery at Punjab for manufacturing of Extra Neutral Alcohol (ENA).

The NV group (NVDPL, NVDBPL and NVIL) is engaged in liquor industry since 1980's and was engaged in distribution of liquors and set up one bottling plant in early 90's. The company started distillery in 2008 with NVDPL, in 2012 started NVDBPL and set up a unit in Rajpura and started NVIL in 2014, together the group boasts of an installed capacity of ~279 KL/day for the production of ENA, 47000 cases/day of country liquor and 25000 cases/day of IMFL.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	422.26	447.07
EBITDA	70.33	74.28
PAT	14.65	31.10



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For the year ended*/As on	31-03-2021	31-03-2022
Total Debt	190.59	167.52
Adjusted Tangible Net worth	236.98	271.72
EBITDA Margin (%)	16.66	16.62
PAT Margin (%)	3.46	6.94
Overall Gearing Ratio (x)	0.80	0.62

*Classification as per Infomerics' standards

Financials: (Consolidated)

(Rs. crore)

For the year ended*/As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	901.01	971.14
EBITDA	122.70	125.92
PAT	17.57	35.06
Adjusted Tangible Net worth	653.38	680.18
EBITDA Margin (%)	13.62	12.97
PAT Margin (%)	1.95	3.61
Overall Gearing Ratio (x)	0.55	0.51

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Nil

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. Crore)	Rating (10 January 2023)	Date(s) & Rating(s) assigned in 2021-22			Date(s) & Rating(s) assigned in 2020-21 (03 November 2020)	Date(s) & Rating(s) assigned in 2019-20 (30 March 2020)
1.	Cash Credit	Long Term	100.00	IVR BBB+/Stable	IVR BBB/Credit watch with developing implications	IVR BBB/Credit watch with developing implications	IVR BBB/Credit watch with developing implications	IVR BBB-/Credit watch with negative implications	IVR BBB-/Stable
2.	Term Loan	Long Term	50.57	IVR BBB+/Stable	IVR BBB/Credit watch with	IVR BBB/Credit watch with	IVR BBB/Credit watch	IVR BBB-/Credit watch with	IVR BBB-/Stable



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years				
		Type	Amount outstanding (Rs. Crore)	Rating (10 January 2023)	Date(s) & Rating(s) assigned in 2021-22			Date(s) & Rating(s) assigned in 2020-21 (03 November 2020)	Date(s) & Rating(s) assigned in 2019-20 (30 March 2020)
					24 March 2022	17 January 2022	06 April 2021		
					developing implications	developing implications	with developing implications	negative implications	
3.	Bill Discounting (Proposed)	Short Term	60.00	IVR A2	IVR A3+ / Credit Watch with Developing Implications	IVR A3+ / Credit Watch with Developing Implications	IVR A3+ / Credit Watch with Developing Implications	IVR A3 / Credit Watch with Negative Implications	IVR A3
4.	BG	Short Term	4.75	IVR A2	IVR A3+ / Credit Watch with Developing Implications	IVR A3+ / Credit Watch with Developing Implications	IVR A3+ / Credit Watch with Developing Implications	IVR A3 / Credit Watch with Negative Implications	IVR A3

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.

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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



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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 4 in major cities and representatives in several locations. For more information visit 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, suspend 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.



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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
Long Term Bank Facilities - CC	-	-	-	100.00	IVR BBB+/ Stable (IVR Triple B Plus/ Stable)
Long Term Bank Facilities – Term Loan	-	-	Varied	50.57	IVR BBB+/ Stable (IVR Triple B Plus/ Stable)
Short Term Bank Facilities – (Proposed)	-	-	-	60.00	IVR A2 (IVR Single A Two)
Short Term Bank Facilities - BG	-	-	-	4.75	IVR A2 (IVR Single A Two)

Annexure 2: List of companies considered for consolidated analysis:

Group Companies	Extent of Consolidation (%)
1. NV Distilleries & Breweries Private Limited	100%
2. NV Distilleries Private Limited	100%
3. NV international Private Limited	100%

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-nvdbpl-jan23.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 www.infomerics.com.



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