



Press Release

NV Distilleries & Breweries Private Limited
February 28, 2024

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
1.	Long Term Bank Facilities	169.90 (increased from Rs 150.57 Crs)	IVR BBB+/ Positive (IVR Triple B Plus/ Positive)	IVR BBB+/ Stable (IVR Triple B Plus/ Stable)	Reaffirmed with change in Outlook	Simple
2.	Short Term Bank Facilities	33.75 (reduced from Rs 64.75 Crs)	IVR A2 (IVR Single A Two)	IVR A2 (IVR Single A Two)	Reaffirmed	Simple
	Total	203.65	Rupees Two Hundred and Three Crore & Sixty-Five Lakhs			

Details of Facilities are in Annexure 1.

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed the long-term rating at IVR BBB+ with change in outlook from Stable to Positive and short-term rating reaffirmed at IVR A2 for the bank loan facilities of NV Distilleries & Breweries Private Limited (NVDBPL).

The rating reaffirmation of NVDBPL continues to factor in the parentage of the NV group and strong support from group, locational advantage and healthy financial risk profile having comfortable gearing and debt protection metrics. However, the rating 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.

The revision in the Outlook from Stable to Positive is on account of stable performance in FY23 & improved financial risk profile of the company in 9MFY24 Vs 9MFY23.

IVR has principally relied on the standalone audited financial results of NVDBPL and combined group financials up to 31 March 2023 and projected financials for FY24, FY25, FY26 and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

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



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- 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 1.5x

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.

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).

Comfortable financial risk profile

NVDBPL has a comfortable financial risk profile, with the long-term debt equity and the overall gearing ratio of the company stood satisfactory at 0.18x and 0.52x respectively as on March 31, 2023. The debt protection parameters reflected by interest coverage ratio remained strong but moderated from 3.12x in FY22 to 2.60x in FY23. Further, the Total debt to GCA has improved from 4.14 in FY22 to 3.93 in FY23. TOL/ATNW improved and remained comfortable at 0.76x as on March 31, 2023. The current ratio stood comfortable at 1.48x as on March 31, 2023.

Key Rating Weaknesses

Volatility in input prices

NV group uses Extra Neutral Alcohol (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



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on the production, since grains are seasonal products being susceptible to vagaries of nature.

Competition from organized & unorganized players

Alcohol industry is susceptible to low entry barriers, besides there are large number of players operating in the industry resulting in stiff competition, which may impact the profit margins of the company to an extent.

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 158 days majorly due to elongated inventory days at 156 days in FY23. The major raw material for production is Grain (Broken Rice), majorly 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 for assigning rating outlook
- Consolidation of companies

Liquidity – Adequate

On a standalone basis, the liquidity profile of NVDBPL is expected to remain adequate with its satisfactory gross cash accruals of Rs 39.24 Crore against its debt repayment obligations of Rs. ~33 crore for FY23. The current ratio as on FY23 stood comfortably at 1.48. Further, the average cash credit utilisation is remained moderate at about 92% during the past 12 months ended in December 2023 showcasing moderate liquidity buffer, however overall liquidity profile of the company mitigates the risk of high utilization to an extent.



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About the Company

NVDBPL, a part of NV group has grain-based distillery at Punjab for manufacturing of Extra Neutral Alcohol (ENA), Country Liquor, IMFL, PET Bottle. 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):

	(Rs. crore)	
For the year ended*/As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	447.07	503.11
EBITDA	74.28	63.76
PAT	31.10	22.54
Total Debt	167.52	154.29
Tangible Net worth	271.72	298.31
EBITDA Margin (%)	16.62	12.67
PAT Margin (%)	6.94	4.48
Overall Gearing Ratio (x)	0.62	0.52

**Classification as per Infomerics' standards*

Financials: (Consolidated)

	(Rs. crore)	
For the year ended*/As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	967.51	1108.86
EBITDA	127.66	119.56
PAT	36.80	36.18
Tangible Net worth	667.64	697.01
EBITDA Margin (%)	13.19	10.78
PAT Margin (%)	3.80	3.26
Overall Gearing Ratio (x)	0.50	0.45

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: None

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years					
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (10 Jan 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		
1.	Long Term Bank Facilities	Long Term	169.90	IVR BBB+/Positive	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
4.	Short Term Bank Facilities	Short Term	33.75	IVR A2	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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Raman Thakur Tel: (011) 45579024 Email: raman.thakur@infomerics.com	Name: Mr. Vipin Jindal Tel: (011) 45579024 Email: vipin.jindal@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 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/PC	-	-	-	120.00	IVR BBB+/ Positive
Long Term Bank Facilities – Term Loan	-	-	till FY30-31	49.90	IVR BBB+/ Positive
Short Term Bank Facilities - BG	-	-	-	33.75	IVR A2

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-NVDistilleriesBreweries-feb24.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.