



## Press Release

### Westwell Gases Private Limited

September 26, 2023

#### Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long-Term Bank Facilities (Including Proposed limit of Rs.6.25 crore)	28.75	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	Assigned	Simple
Short-Term Bank Facilities (Including Proposed limit of Rs.6.25 crore)	21.25	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>50.00</b> <b>(Rupees fifty crore only)</b>			

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The ratings assigned to the bank facilities of Westwell Gases Private Limited (WGPL) derives strength from its healthy business performance in FY23 and in Q1 FY24, experience promoter in the liquor industry with diversified product folio and established relationship with principal manufacturers. Further, the ratings also considered the comfortable capital structure and satisfactory debt protection metrics coupled with favourable demand outlook for alcoholic beverage industry. However, these rating strengths remain partially offset by the small track record of its operation and thin profitability owing to trading nature of operation. The ratings further considered the intense competition from distributors of other liquor manufacturing principals along with the presence of the company in highly regulated liquor industry.

#### Key Rating Sensitivities:

##### Upward factors

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.
- Sustained capital structure and sustained improvement in interest coverage ratio.

##### Downward Factors

- Decline in revenues and profitability leading to moderation in GCA on a sustained basis.



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- Impairment in the capital structure with moderation in overall gearing to over 1x.
- Increase in operating cycle impacting the liquidity.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths:

- **Experienced promoters in the liquor industry**

Mr. Rajesh Kumar Prasad, CEO of WGPL, has a vast experience of over 25 years in the liquor industry. Mr. Amit Jain, the promoter of WGPL has overall experience of more than 10 years with around two years' experience in liquor industry. Mr. Mukesh Kumar and Mr. Ashok Jaiswal has experience of around two decades in liquor industry by virtue of working in other liquor manufacturing companies.

- **Relationship with key liquor manufacturing principal**

WGPL distributes beer, whiskey, scotch, wine and other liquor products of key domestic liquor manufacturing principals. Additionally, the company also distributes imported labels of whiskey, scotch, tequila and other products. Further, the company has added more brands, ready to drink products like Bacardi, Sky Vodka, Campari etc. in its portfolio. Diversified product offering by the company further strengthens its position.

- **Healthy business performance in FY23 and in Q1FY24**

The company started distribution of liquor from February 2022, hence in FY22 WGPL, during its one month of operation booked a revenue of Rs.97.28 crore. However, in its first full year operation in FY23 the company booked revenue of Rs.1308.98 crore. The profitability of the company has remained thin on account of low value additive trading nature of business with no pricing flexibility. The company's profit margins remained thin with EBITDA margin at 1.14% and PAT margin at 0.81% in FY23. In Q1FY24, the company as achieved a revenue of ~Rs.370.

- **Comfortable capital structure and satisfactory debt protection metrics**

The financial risk profile of the company remained comfortable marked by its comfortable capital structure and satisfactory debt protection metrics. However, the capital structure of the company includes subordinated unsecured loan amounting to Rs.2.28 crore as quasi equity. Consequently, the adjusted tangible net worth (ATNW) of the company stood at Rs.13.37 crore as on March 31, 2023. Considering such subordinated unsecured loan as quasi equity, overall gearing of WGPL stands comfortable at 0.02x as on March 31, 2023. The total indebtedness of WGPL as indicated by TOL/ATNW remains high at 8.71x as on March 31,



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2023 mainly driven by its high creditor outstanding as on the account closing date. Debt protection metrics of the company as indicated by interest coverage ratio stands satisfactory at 17.90x in FY23. Moreover, Total debt to GCA and Total debt to EBITDA also stands comfortable at 0.03 years and 0.02x respectively as on March 31, 2023 driven by low reliance of the company on external debts.

- **Favorable demand outlook for alcoholic beverage industry**

The demand outlook for the industry is favourable, led by increasing consumption on account of rising disposable income, urbanisation and changing consumer preferences.

**Key Rating Weaknesses:**

- **Short track record of operation**

WGPL started distribution of liquor from February 2022, hence it has a short track record of operation.

- **Thin profitability in line with trading nature of operations**

The operating profitability has remained thin on account of low value additive trading nature of business with no pricing flexibility. The company's profit margins remained thin with EBITDA margin at 1.14% and PAT margin at 0.81% in FY23.

- **Intense competition from distributors of other liquor manufacturing principals**

The company faces intense competition from distributors of other liquor manufacturing principals. However, WGPL established presence over two 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 highly regulated industry with the state government controlling the sales and distribution, making the company susceptible to changes in Government policies. Any change in Government policies with respect to production and distribution of liquor, taxation, and state excise duty or any material changes in the duty structure may impact the company.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Trading Companies](#)

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

[Criteria of assigning rating outlook](#)

**Liquidity:** Adequate



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WGPL has strong liquidity marked by insignificant repayment obligations as against its healthy gross cash accruals. Further, the company has adequate gearing headroom marked by its comfortable capital structure. The average maximum utilization of fund based working capital limits for past twelve months through June 2023, stood at ~20% indicating adequate liquidity buffer. Moreover, the company has healthy free cash and fixed deposits aggregating to Rs.15.03 crore as on September 04, 2023.

### **About the Company**

Westwell Gases Pvt Ltd (WGPL) was incorporated in March 2013 for the purpose of carrying on business of dealer, trader, distributor etc. of all type of foreign liquor, country liquor, alcoholic drinks, beer, canned beer etc. However, it remains dormant and started distributorship business of Indian Made Indian Liquor & Indian Made Foreign Liquor in the state of West Bengal from February 2022. WGPL is a subsidiary (~51% holding) of S.M. Auto Parts Pvt Ltd. WGPL is presently managed by three directors, namely Mr. Amit Jain, Mr. Mukesh Kumar and Mr. Ashok Jaiswal and a team of experienced personnel.

### **Financials of Westwell Gases Private Limited (Standalone):**

For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	97.28	1308.98
EBITDA	1.12	14.88
PAT	0.45	10.57
Total Debt	4.23	0.31
Tangible Net worth	0.52	11.09
Tangible Net worth including Quasi equity	0.52	13.37
EBITDA Margin (%)	1.16	1.14
PAT Margin (%)	0.47	0.81
Overall Gearing Ratio Adjusted (x)	8.16	0.23
Interest Coverage	2.51	17.90

\*Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**

**Rating History for last three years:**



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	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.	Cash Credit	Long Term	22.50	IVR BBB-; Stable	-	-	-
2.	Bank Guarantee	Short Term	15.00	IVR A3	-	-	-
3.	Cash Credit (Proposed)	Long Term	6.25	IVR BBB-; Stable	-	-	-
4.	Bank Guarantee (Proposed)	Short Term	6.25	IVR A3	-	-	-

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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 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. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Cash Credit	-	-	-	22.50	IVR BBB-; Stable
Short Term Non-Fund Based Limits –Bank Guarantee	-	-	-	15.00	IVR A3
Long Term Fund Based Limits – Cash Credit (Proposed)	-	-	-	6.25	IVR BBB-; Stable
Short Term Non-Fund Based Limits –Bank Guarantee (Proposed)	-	-	-	6.25	IVR A3

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-westwell-sep23.pdf>

**Annexure 3: List of companies considered for consolidated analysis:** Not Applicable

**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](http://www.infomerics.com)