



Rating Rationale

Som Distilleries & Breweries Limited

24 Aug 2018

Brickwork Ratings upgrades ratings to BWR BBB+/A2 for the bank/financial institutional loan facilities of Rs. 80.52 Crores of Som Distilleries & Breweries Limited ('SDBL or the Company')

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating ¹	
	Previous	Present*		Previous May 2017	Present
Fund Based					
Cash Credit	20.00	28.00	Long Term	BWR BBB (Pronounced BWR Triple B) Outlook: Stable	BWR BBB+ (Pronounced BWR Triple B Plus) Outlook: Stable Upgraded
Corporate Loan	51.83	34.52			
Non fund Based					
Bank Guarantee	-	18.00	Short Term	BWR A3 (Pronounced BWR A Three)	BWR A2 (Pronounced BWR A Two) Upgraded
Bank Guarantee	15.00	-			
ILC/FLC (Sub limit)	(2.00)	(3.00)			
Total	86.83	Rs.80.52 Crores (Rupees Eighty Crores and Fifty Two Lakhs Only)			

¹Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

*Annexure I provide bank-wise details of facilities

Ratings upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the company upto FY18, projected financials upto FY20, publicly available information and information/clarifications provided by the management.



The ratings revision takes into consideration the improved operational performance of the company due to optimum capacity utilization during FY18 and expansion of operations to West Bengal. The ratings continue to draw strength from the experience of the management in the liquor industry, established presence and track record of the Bhopal based Som Group in distillery business, strong regional presence in Madhya Pradesh and diversified product mix. The ratings continue to be constrained by the vulnerability of profitability to fluctuations in input prices, competition from other established brands, susceptibility to inherent risks associated with this highly regulated industry and working capital intensive operations.

Going forward, the Company's ability to increase its scale of operations, improve profitability, strengthen its overall credit profile and manage its working capital efficiently will continue to be the key rating sensitivities.

Rating Outlook: Stable

BWR believes **Som Distilleries & Breweries Limited's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Key Rating drivers:

Credit Strengths:

- **Experienced Management** : The promoters have experience of over two decades in the distillery industry and they are supported by a team of experienced professionals. The company benefits from the established distribution network and presence of its own brands in the industry.
- **Improved operational performance** : Net Sales has improved to Rs. 350.62 crs in FY18 as against Rs. 244.72 crs in FY17. Improvement in capacity utilisation viz., from ~82% in FY17 to ~100% in FY18 in beer division and ~55% in FY17 to ~63% in FY18 in IMFL division has contributed to improved performance. Operating profitability has improved to 16.71% in FY18 as against 14.51% in FY17. Tangible Net worth was strong at Rs. 159.92 crs and Debt equity comfortable at 0.33 times as on 31 Mar 2018.
- **Established market position & regional presence** : SDBL has an established track record of more than two decades in the liquor business in Madhya Pradesh. The Company has started its sales in West Bengal during FY19. SDBL has a vast distribution network spread over 10 states in India including Madhya Pradesh, Arunachal Pradesh, Chhattisgarh, Delhi, Gujarat, Kerala, Karnataka, Orissa, Pondicherry, and West Bengal. The key customers are Government warehouse-Indore, Government warehouse-Bhopal, Government Warehouse-Bengaluru etc.



- **Diversified product range & branding** : SDBL has two major revenue segments viz., Beer and IMFL. The Company has four brands in beer namely, Hunter, Blackfort, Power cool and Woodpecker brands and for IMFL, brands are Legend, Blue Chip, Milestone 100-Whisky, White Fox-Vodka and Black Fort-Rum.

Credit Weakness :

- **Highly regulated industry** : The Indian alcohol industry is characterized by high regulation and is primarily regulated by the respective States. Every state has its set of regulations with respect to distribution and retail channels, registration, taxation, and pricing of alcohol. SDBL operates in an intensely regulated environment, thus, cash flow is highly susceptible to any material change in the regulatory landscape.

Analytical approach

While assigning the ratings, BWR has taken a consolidated view of the business and financial profile of Som Distilleries & Breweries Ltd, Woodpecker Distilleries and Breweries Private Limited, and Som Distilleries Pvt Ltd collectively referred to as the Som group, because of the commonality of management and operational linkages in the distillery business. BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

About the Company

Som Distilleries & Breweries Limited (SDBL) was incorporated in 1993 at New Delhi. SDBL's shares are listed on BSE and NSE. SDBL is the flagship company of the Bhopal, Madhya Pradesh based Som Group. SDBL is primarily engaged in brewing, fermentation, bottling, canning & blending of Beer and Indian Made Foreign Liquor (IMFL). The plant is located at Rojra Chak, Raisen District, Madhya Pradesh. The installed capacity is 5,92,000 HPLA of beer and 108000 HPLA of IMFL. The Company has four brands in beer namely, Hunter, Blackfort, Power cool and Woodpecker brands. For IMFL, its brands are Legend, Blue Chip, Milestone 100-Whisky, White Fox-Vodka and Black Fort-Rum (which contributes 10% of the topline). The Company has recently set up a Brewery plant in Karnataka through its subsidiary - Woodpecker Distilleries and Breweries Pvt Ltd. Five of SOM brands are approved by CSD (Canteen Stores Department) for supply on PAN India basis.

Som Group is into distillery business, real estate and infrastructure. The group Companies are Som Distilleries Private Limited (rated BWR BBB-(outlook:stable)/A3 dated 24 May 2018), Woodpecker Distilleries and Breweries Pvt Ltd (rated BWR BB+(outlook:stable) dated 07 Jun 2018), Aryavrat Tollways Pvt Ltd (rated BWR BB-(Outlook Stable) dated 19 Jan 2018) and Aryavrat Projects & Developers Pvt Ltd (rated BWR BB-(Outlook Stable)/A4 dated 22 June 2018).

Mr. Jagdish Kumar Arora is the Chairman and other directors are Mr. Surjeet Lal, Mr. Nakul K Sethi, Mr. Deenanath Singh, Ms. Nishi Arora, Mr. Mayank Singh Bhadauria and Mr Rajesh Kumar Dubey.

Financial Performance

SDBL reported Net sales of Rs.350.62 Crs and PAT of Rs. 25.23 Crs in FY18 as against Net Sales of Rs. 244.72 Crs and PAT of Rs. 14.16 Crs in FY17. Net worth was Rs.159.92 crs as on March 31 2018. ISCR and DSCR were 6.67 times and 1.77 times respectively. Current ratio was 1.58 times as on



March 31 2018. On an unaudited basis, the company has reported sales of around Rs. 115.69 crs for Q1FY19. During July 2018, foreign private equity funds have infused capital of around Rs 100 Crs in the company.

Status of non-cooperation with previous CRA (if applicable): Nil

Any other information : NA

Rating History for the last three years :

Sl. No.	Facility	Current Rating (Aug 2018)			Rating History*		
		Type	Amount (Rs Crs)	Rating	22 May 2017#	17 Feb 2016^	2015
1	Cash Credit	Long term	28.00	BWR BBB+ Outlook: Stable Upgraded	BWR BBB Outlook: Stable (Reaffirmed)	BWR BBB Outlook: Stable (Reaffirmed)	-
2	Corporate Loan		34.52				
3	Bank Guarantee		18.00				
5	ILC/FLC (Sub limit)	Short Term	(3.00)	BWR A2 (Upgraded)	BWR A3 (Reaffirmed)	BWR A3 (Reaffirmed)	-
	Total		80.52	(Rupees Eighty Crores and Fifty Two Lakhs Only)			

* the bank loan facility of Rs. 25.50 crs was initially rated BWR BBB(Outlook :Stable)/A3 on 24 Nov 2014.

^amount rated Rs. 93.62 crs;# amount rated Rs. 86.63 crs



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

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Som Distilleries & Breweries Limited
Annexure I
Bank Facilities (Rs. Crs)

Facility	Lakshmi Vilas Bank	IFCI Venture Capital Funds Ltd.	IFCI Limited	Amount
Fund Based				
Cash Credit	28.00	-	-	28.00
Corporate Loans	-	14.44	20.08	34.52
Non Fund Based				
Bank Guarantee	18.00	-	-	18.00
ILC/FLC(Sub limit)	(3.00)	-	-	(3.00)
Total	46.00	14.44	20.08	80.52



Som Distilleries & Breweries Limited
Annexure II
Key Financial Indicators

		31 March 2017	31 March 2018
Total Operating Income	Rs. Crs	244.72	350.62
EBIDTA	Rs. Crs	35.51	58.57
PAT	Rs. Crs	14.16	25.23
Tangible Net worth	Rs. Crs	140.08	159.92
Total Debt/ TNW	Times	0.57	0.33
Current Ratio	Times	1.82	1.58

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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