



Press Release

Devans Modern Breweries Limited

January 06, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility (including proposed limit of Rs. 8.61 crore)	106.80	IVR BBB-/Stable; [IVR Triple B Minus with Stable Outlook]	IVR BB/ Stable [IVR Double B with stable Outlook]	Rating Upgraded	Simple
Short Term Bank Facility	0.20	IVR A3 (IVR A Three)	IVR A4 [IVR A Four]	Rating Upgraded	Simple
Total	107.00	[Rupees One Hundred and Seven Crores only]			

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 upgraded long-term rating to IVR BBB- with a Stable outlook and short-term rating to IVR A3 for the bank loan facilities of Devans Modern Breweries Limited (DMBL).

The rating upgrade takes into consideration the improved scale of operations and profitability, coupled with improved capital structure. Further, the rating continues to draw comfort from long track record of operations & extensive experience of the promoters along with efficient working capital management. However, the ratings are constrained by the raw material price fluctuation risk and vulnerability to regulatory changes in the liquor industry.

The Stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that DMBL's business & financials risk profile will be maintained over the medium term on the back of company established track record of operations, improved scale of operations.

Infomerics Ratings has principally relied on the combined audited financial results of Devans Modern Breweries Limited up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.



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Key Rating Sensitivities

Upward Factors

- Sustained growth in operating income and improvement in profitability as projected
- Sustained improvement in capital structure with specific credit metric be TOL/TNW below 2.2 times on sustained basis.

Downward Factors

- Decline in operating income and operating profit & non achievability of projections as expected.
- Deterioration in capital structure & debt protection indicators leading to stretched liquidity, with TOL/TNW remaining above 3.5 times on sustained basis.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of operations and extensive experience of promoters and professional management**

The group has a long track record of operations since 1952 and has maintained good relationships with its customers and suppliers. The management of the Devans group is well experienced in the beverage industry, i.e., Mr. Prem Narain Dewan (Chairman cum Managing Director) and Mr. Kewal Rattan Gupta have more than 3 decades of experience in the same line of business, and other directors have more than 7 years of experience. The Devan Group has been engaged in the trading and manufacturing of liquor since the 1952 and 1963, respectively.

- **Growing scale of operations with improved profitability**

The group has achieved total operating income (TOI) of Rs. 429.59 Cr. in FY24 on a combined basis against Rs. 397.39 Cr. in FY23, growing by 8.28% on account of an increase in sales volume of distillery products, led by revenue from existing customers and new tie-ups. Further, on a standalone basis, DBDP has registered net sales of Rs. 406.28 Cr. In FY24 as against Rs. 362.36 in FY23. The company is expected to have improved revenue in FY25 against FY24, mainly relying on recurring orders from the exciting clients and new tie-ups. The EBITDA and PAT margins of the group improved to 17.62% and 10.36%, respectively, in FY24 against 12.11% and 5.34%, respectively, in FY23. The improvement in these margins is attributed to decline in raw material prices and price hike mix in FY2024.



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- **Improved capital structure**

The financial risk profile of the group is marked by moderate net worth, which stood at Rs. 85.86 Cr. as of March 31, 2024, against Rs. 41.01 Cr. as of March 31, 2023. The increase in net worth is due to the accretion of reserves. Overall gearing of the group improved and stood at 1.23 times as of March 31, 2024, as against 2.82 times as of March 31, 2023. Interest coverage ratio improved to 4.28 times in FY2024 from 2.86 times in FY2023 because of a healthy improvement in earnings in FY2024. The interest coverage is expected to improve further in FY2025 and would continue to remain healthy in the near-to- medium term. DSCR improved to 2.91 times in FY2024 from 1.98 times in FY2023 on account of a healthy increase in profit. The total outside liabilities/tangible net worth (TOL/TNW) has improved but still stood high at 2.77 times as of March 31, 2024, as against 5.93 times as of March 31, 2023. Further, going forward the capital structure of the company is expected to improve backed by improvement in net worth and no major debt funded capex plans.

Key Rating Weaknesses

- **Raw material price fluctuation risk:**

The group is susceptible to the raw material price fluctuation risk which may impact on the profitability of the company. The major raw material for production is rice & barley, majorly used by the company for manufacturing alcohol. Raw material is the seasonal item; there is risk of volatility in prices during off season and thus maintaining sufficient stock is critical to ensure uninterrupted operation of distillery and to offset the impact of the price fluctuations.

- **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.

Analytical Approach: Combined Approach (For arriving at the ratings, Infomerics has combined the business and financial risk profiles of Devans Modern Breweries Limited (DMBL) and Devson Private Limited (DPL). This is because these companies, collectively referred to as the Devans Group (DG), are under control of same promoters, have business and financial linkages)

(Reason for Change in Approach: The approach was standalone at the time of last review of Devans Modern Breweries Limited (DMBL). However, the same has been changed to combined approach during current review including a fresh rating of a group company, Devson



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Private Limited (DPL), on account of rising financial transaction among the group companies coupled with common promoters and business and financial linkages)

Applicable Criteria:

- [Rating Methodology for Manufacturing Companies.](#)
- [Financial Ratios & Interpretation \(Non-Financial Sector\).](#)
- [Criteria for assigning Rating outlook.](#)
- [Policy on Default Recognition](#)
- [Complexity Level of Rated Instruments/Facilities](#)
- [Consolidation of Companies](#)

Liquidity – Adequate

The group has adequate liquidity, which is marked by improved gross cash accruals (GCA) of Rs 56.14 Cr. at the end of March 2024 against repayment obligations of ~Rs 7.70 Cr. Going forward, the company is expected to generate gross cash accruals of more than Rs. 70.00 crore against debt repayment obligations under the range of Rs. 4.00 crore over the same period. The current ratio stood at 1.11 times as of 31st March. The cash and bank balances of the company stood at Rs. 0.74 Cr. as of March 31, 2024. Going forward, the liquidity position of the group will be sustained, backed by steady cash accruals.

About the Company

Devans Modern Breweries Limited was established in 1961 by Dewan Gian Chand, in Jammu & Kashmir. The company is engaged in the manufacturing of malt spirit, IMFL & beer. The company has its own Breweries in Jammu and Rajasthan, and it has also entered into a production tie-up for beer in Arunachal Pradesh and Jharkhand. The company has its own established brand viz GianChand (Single Malt Spirit) & Old Vat (IMFL) and Beers-Godfather, Six Field, Kotsberg.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	362.36	406.28
EBITDA	47.71	74.52
PAT	20.94	43.58
Total Debt	108.16	97.42
Adjusted Tangible Net Worth	18.77	62.69
EBITDA Margin (%)	13.17	18.34
PAT Margin (%)	5.77	10.70



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Adjusted Overall Gearing Ratio (x)	5.76	1.55
Interest Coverage (x)	3.02	4.57

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: NA

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(October 13, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-2022
1.	Long term Bank Facilities – Term Loan (TL)	Long Term	18.19	IVR BBB-/Stable;	IVR BB/Stable;	-	-
2.	Long term Bank Facilities – CC	Long Term	80.00	IVR BBB-/Stable;	IVR BB/Stable;	-	-
3.	Long term Bank Facilities- Proposed Cash Credit	Long Term	8.61	IVR BBB-/Stable;	-	-	-
4.	Short term Bank Facilities – BG	Short Term	0.20	IVR A3;	IVR A4;	-	-

Analytical Contacts:

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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



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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.

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Annexure 1: Instrument/Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs Crore)	Rating Assigned/ Outlook
Long term Bank Facilities – Term Loan (TL)	-	-	-	December,2029	18.19	IVR BBB-/Stable
Long term Bank Facilities – Cash Credit	-	-	-	-	80.00	IVR BBB-/Stable
Long term Bank Facilities- Proposed Cash Credit	-	-	-	-	8.61	IVR BBB-/Stable
Short term Bank Facilities – BG				-	0.20	IVR A3

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Devans-Modern-Breweries-06jan25.pdf>

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

Annexure 4: List of companies considered for consolidated/Combined analysis:

Name of the Company	Consolidation Approach
Devans Modern Breweries Limited	Full Consolidation
Devson Private Limited	Full Consolidation

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.