



## Press Release

### Leade Liquor Manufacturing Private Limited

November 29, 2024

#### Ratings

Facilities	Amount (Rs. Crore)	Current Ratings	Previous Ratings*	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facility	6.00	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	IVR BB+; Negative, ISSUER NOT COOPERATING* (IVR Double B Plus with Negative Outlook, ISSUER NOT COOPERATING)	Upgraded and removed from Issuer Not Cooperating Category	Simple
<b>Total</b>	<b>6.00 (INR Six crore only)</b>				

\* Issuer did not cooperate; based on best available information

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 removed the rating assigned to the proposed bank facilities of Leade Liquor Manufacturing Private Limited (LLMPL) from ISSUER NOT COOPERATING category based on adequate information received from the entity to review its ratings.

For arriving at the rating, Infomerics has combined the business and financial risk profile of Leade Liquor Manufacturing Private Limited (LLMPL), Oaken Gold Bottling Private Limited (OGBPL) and Aroma India Private Limited (AIPL) commonly referred as Aroma group hereafter since these three entities are engaged in similar line of business, run under a common promoter and have operational and financial linkages.

The upgrade in the ratings assigned to the bank facilities of Leade Liquor Manufacturing Private Limited (LLMPL) is driven by steady business performance of the Aroma group in FY24 [FY refers to the period from April 01 to March 31] with improved operating margin along with comfortable capital structure with satisfactory debt protection metrics. Further, the rating continues to derive comfort from its experienced promoters, long association with Pernod Richard India Private Limited (PRIPL) coupled with favourable demand outlook of the Indian liquor industry.



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However, these rating strengths remain partially offset by risk of non-renewal of contract with PRIPL along with the vulnerability to regulatory changes in the liquor industry.

The stable outlook reflects expected stable business performance of the group in the near term driven by steady bottling revenue generation supported by long association with Pernod Richard India Private Limited.

### **Key Rating Sensitivities:**

#### **Upward factors**

- Sustained growth in bottling fee leading to improvement in gross cash accruals
- Improvement in profitability on a sustained basis
- Sustenance of the capital structure with improvement in debt protection metrics

#### **Downward Factors**

- Non-Renewal of contract with PRIPL
- Dip in operating income and/or profitability impacting the debt protection metrics
- Any unplanned capex leading to moderation in capital structure with moderation in overall gearing to above 1x

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths:**

- **Experienced promoters**

The promoters of the group have experience of around two decades in the liquor industry and have good understanding of the market dynamics and regulatory environment which has helped them to establish a good relationship in market.

- **Association with Pernod Richard India Private Limited**

Pernod Richard India Private Limited (PRIPL) is a fully owned subsidiary of Pernod Ricard SA. Pernod is a multinational alcohol beverage company that delivers quality products to its customers across the country. It is associated with many renowned brands, including Royal Stag and Blenders Pride, which are bottled at various sites across the country. Further, PRIPL has overtaken United Spirits to become the top spirits maker in India in terms of revenue in FY 2024. All the three companies of have tie up agreement with PRIPL which imparts comfort.

- **Steady business performance with improved operating margin**



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Owing to regulatory change in West Bengal and Assam which warrants booking of sale revenue in the books of Pernod Richard instead of in the books of LLMPL and AIPL has resulted in dip in overall operating revenue of the group from ~Rs.1167 crore in FY22 to ~Rs.664 crore in FY24. However, on the other hand, backed by improved capacity utilisation with increase in botting fee, the bottling revenue, the main profit generating activity of the group has improved gradually over the years from ~Rs. 40.41 crores in FY21 to ~Rs.60.96 crore in FY23, which further improved to Rs.68.06 crore in FY24. The profitability of the group continues to remain thin considering the low value adding nature of business and limited control on the bottling charges. Owing to the change in business model there is settlement in the books of LLMPL. Hence, post nullifying the tie up manufacturing expense charged amounting to Rs.8.85 crore and non-operating income recorded as provision written off amounting to Rs.10 crore in FY24, the adjusted EBITDA and PAT margin stood at 3.62% and 2.47% respectively in FY24 as compared to 2.03% and 1.46% respectively of FY23 and 1.69% and 1.23% respectively of FY22. Further, the adjusted GCA stood at Rs.21.41 crore which was sufficient to meet its nominal debt repayment obligation.

There is a dip in topline of LLMPL in FY23 and in FY24 as LLMPL has only booked bottling income in its books and all the IMFL sales were booked directly by PRIPL. Hence, the top line has moderated from Rs.323 crore in FY22 to ~132 crore in FY23 to Rs. 21.31 crore in FY24. After nullifying the tie up manufacturing expense charged amounting to Rs.8.85 crore and provision written off amounting to Rs.10 crore in FY24, the adjusted EBITDA and PAT margin stood satisfactory at 26.55% and 13.38% respectively in FY24.

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

The capital structure of the group continues to remain satisfactory marked by its lower dependence on external borrowings. After adjusting the exposure in group companies amounting to Rs.3.36 crore, the adjusted net worth of the group stood at Rs. 83.33 crore as on March 31, 2024, leading to comfortable adjusted overall gearing of 0.37x as on March 31, 2024, against 0.20x as on March 31, 2023. Total indebtedness of the group marked by TOL/ATNW has improved and stood comfortable at 1.67x as on March 31, 2024, against 4.33x as on March 31, 2023, driven by reduced creditors which majorly attributable to Pernod Ricard due to the nature of its operations. Backed by steady adjusted EBITDA and low finance cost interest coverage continues to remain comfortable and stood at 5.61x in



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FY24. Further, Total Debt to adjusted EBITDA and Total Debt to adjusted GCA also stood comfortable at 1.27x and 1.43 years respectively as on March 31, 2024.

The adjusted overall gearing of LLMPL stood comfortable at 0.52x as on March 31, 2024, Overall indebtedness marked by TOL/ATNW has improved and stood at 2.89 as on March 31, 2024, as compared to 3.95x as on March 31, 2023.

- **Favourable demand outlook**

Indian Liquor industry is one of the growing industries despite being subjected to high taxes and innumerable regulations by government. The factors such as rising income levels and changing mind-sets which are more open to the consumption of alcoholic beverages drive the growth of IMFL segment. In addition, changing consumer preference towards premium varieties has resulted in improvement in sales mix of industry. Hence, Indian liquor industry is envisaged to continue the trend of steady growth supported by increasing demand led volume growth. Liquor policies governing production and sale of liquor are entirely controlled by the respective state governments. With all the alcohol consuming states/union territories having their own regulations, tax structures and entry-exit restrictions, it is very difficult for new entrants to get licenses; thus, providing a competitive advantage to the existing players.

### **Key Rating Weaknesses:**

- **Risk of non-renewal of contract**

Since the entire revenue generation of the Aroma group is derived from bottling fees from PRIPL, any impact on the business of PRIPL in the country may have an adverse effect on the business of Aroma Group.

- **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

For arriving at the rating, Infomerics has combined the business and financial risk profile Leade Liquor Manufacturing Private Limited, Oaken Gold Bottling Private Limited and Aroma India Private Limited commonly referred as Aroma group hereafter since these three entities are engaged in similar line of business, run under a common promoter and have operational



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and financial linkages. The lists of companies considered for consolidation are given in **Annexure 4.**

### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Criteria of assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

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

[Criteria on Complexity](#)

[Consolidation of Companies](#)

### **Liquidity: Adequate**

The liquidity of the group is expected to remain adequate marked by its expected adequate cash accruals in the range of ~Rs.21-26 crore as against debt obligations in the range of ~Rs. 3.90-4.00 crore during the projected period of FY25-FY27. The group has a satisfactory gearing headroom marked by its satisfactory leverage ratios.

### **About the Company**

Incorporated on 24th August 2004, LLMPL commenced its production of Indian Made Foreign Liquor (IMFL) from its state-of-the-art production facility in West Bengal in the year 2012. The facility is created for Blending & Bottling of Indian Made Foreign Liquor (IMFL) to be sold in the West Bengal market. The manufacturing facility is spread in an area of more than three acres boasting of latest automations and infrastructural facilities.

### **About the Group**

Leade Liquor Manufacturing Limited, Oaken Gold Bottling Private Limited and Aroma India Private limited, all three companies have tie-up manufacturing agreement with Pernod Ricard- popularly known as Seagram's.

### **Financials of Leade Liquor Manufacturing Private Limited (Standalone):**

For the year ended* / As On	(Rs. crore)	
	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	132.57	21.31
EBITDA (Adjusted)	5.99	5.66
PAT (Adjusted)	3.64	3.07
Total Debt	7.57	11.92
Tangible Net worth (Book)	22.92	27.14
Tangible Net worth (Adjusted)	19.52	23.12





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EBITDA Margin (%) (Adjusted)	4.52	26.56
PAT Margin (%) (Adjusted)	2.69	13.38
Overall Gearing Ratio (x)	0.39	0.52
Interest Coverage	3.23	3.99

*\*Classification as per Infomerics' standards*

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

**Any other information: Nil**

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					September 13, 2024	July 04, 2023	-	-
1.	Proposed	LT	3.60	IVR BBB-Stable	IVR BB+; Negative; ISSUER NOT COOPERATING*	IVR BBB-Stable	-	-

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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.



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

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### Annexure 1: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Proposed- Fund Based Long Term	-	-	-	6.00	IVR BBB-/ Stable

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Leade-Liquor-nov24.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
Leade Liquor Manufacturing Private Limited	Full consolidation
Oaken Gold Bottling Private Limited	Full consolidation
Aroma India 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](http://www.infomerics.com)