Press Release

Rock and Storm Distillaries Private Limited

September 24, 2024

Ratings

Security/ Facility	**Amount (Rs. crore)**	**Current Ratings**	**Previous Ratings**	**Rating Action**	**Complexity Indicator**
Long Term Bank Facilities	50.40 (Enhanced from Rs. 40.40 crore)	IVR BBB-/Stable (IVR Triple B minus with stable outlook)	IVR BBB-/Stable (IVR Triple B minus with stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities	17.30	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Total	**67.70 (Rs. Sixty-Seven Crore and Seventy Lakhs 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

The reaffirmation of the ratings assigned to the bank facilities of Rock and Storm Distillaries Private Limited (RSDPL) continues to derive comfort from the long track record of operation of the promoters in the liquor industry, strong presence in Delhi market with initiative to cater new geographies and favourable industry outlook. However, these rating strengths remain constrained due to moderation in RSDPL's business performance in FY24 [FY refers to period from April 1 to March 31], leading to moderation in debt protection metrics, moderate capita structure, geographical concentration in revenue profile, exposure to intense competition and vulnerability to regulatory changes in liquor industry. The stable outlook reflects expected stable business performance of the company underpinned by expected improvement in financial performance of the company in the near term backed by healthy demand outlook.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in scale of operations with improvement in profitability and gross cash accruals
- Improvement in capital structure and/or improvement in debt protection metrics marked by improvement in interest coverage ratio to over 3.0x.

Downward Factors

- Deterioration in scale of operations and/or moderation in profitability with moderation in EBITDA margin to below 5%.
- Moderation in the capital structure with overall gearing deteriorated to above 2x and/or moderation in interest coverage to below 1.20x
- Deterioration in liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of the promoters in the liquor industry**
  The promoters have experience of over two decades in the liquor business, which has enabled them to have a strong understanding of the market dynamics. Experience of the promoters is expected to support the business risk profile of the company going forward.
- **Strong presence in Delhi market and capturing new states**
  RASPL has a strong presence in Delhi which contributes ~70% of its total revenue. RSDPL's derives major portions of its revenue from sale of Dennis Special Whisky making it a popular choice in the price-sensitive low-income segment. Further, the company has taken a trade license in the state of Telangana which has resulted in revenue flow from October 2021 onwards. The revenue from supply to the Canteen Store Department (CSD) has grown over the years and going forward revenue from CSD is likely to increase as four more brands have been approved by the CSD.
- **Favourable industry outlook**
  The prospects of the industry are bright because of the rising young population, changing lifestyles, increasing disposable income and a shift towards branded liquor.

Key Rating Weaknesses

- **Moderation in business performance in FY24**
  The business performance of the company witnessed moderation in FY24, marked by a dip in its profitability and gross cash accruals notwithstanding marginal growth in its total operating income (TOI). The TOI improved from Rs.152.94 crore in FY 23(A) to Rs.155.94 crore underpinned by growth in sales of its marque product Dennis Special Whisky. However, the company has witnessed a moderation in its profit margin in FY24. EBITDA margin and PAT margin have moderated from 6.99% and 2.93% respectively in FY 23(A) to 5.14% and 1.07% respectively in FY 24(Prov.) due to movement in inventory prices

and increase in selling and administrative expenses mainly promotion of business. Fueled by a dip in profitability, the gross cash accruals of the company have also moderated in FY24.

- **Moderate capital structure with moderation in debt protection metrics**
  The debt coverage indicators of the company dampened in FY24 due to a dip in profitability. The interest coverage though moderated stood satisfactory at 1.63x in FY2024 (Prov.) [2.75x in FY2023]. Besides, Total debt to EBITDA and Total debt to GCA also stood moderate at 6.62x and 20.90 years respectively as on March 31,2024 (Prov.). The capital structure of the company continues to remain moderate marked by long term debt equity ratio of 0.26x and overall gearing of 1.24x as on March 31, 2024 (Prov.), as against long term debt equity ratio of 0.22x and overall gearing of 1.02x as on March 31, 2023. However, total indebtedness as reflected by TOL/TNW improved from 1.91x as on March 31, 2023 (A) to1.80x as on March 31, 2024(Prov.).
- **Geographic concentration in revenue profile albeit widespread presence in domestic market**
  RSDPL sells its products across Delhi Uttar Pradesh, Punjab, Uttarakhand, Telangana, Chandigarh and to CSD/ Paramilitary across India. The Company also has presence in the international market and exports its products to over five countries spanning Russia, Hongkong, Rawanda, Kenya and Australia. However, despite having presence both throughout the country and also internationally, the Company derives bulk of its revenue (~ 70% to 90% Y-O-Y) from sales in Delhi and CSD/ Paramilitary, implying geographic concentration in revenue profile.
- **Exposure to intense competition**
  The liquor market is largely competitive with the presence of many national and international established brands which restricts growth opportunity and profitability to an extent. Furthermore, a large set of consumers are price sensitive, it is necessary to minimise the cost of inter-state transport through an efficient distribution network and a manufacturing footprint across several states.
- **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: Standalone

Applicable Criteria:

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

Liquidity – Adequate

The liquidity of the company appears to be adequate marked by its sufficient cash accruals vis-à-vis its debt repayment obligations of Rs.0.24 crore to 3.06 crores in the near to medium term. The company has generated gross cash accruals of Rs. 2.54 crore in FY24 (Prov.). The current ratio was also comfortable at 1.52x as on March 31, 2024 (Prov.). However, the average working capital utilisation remained high at ~92% during the past twelve months ended July2024 indicating a low liquidity buffer.

About the Company

Incorporated in March 2008, Rock & Storm Distilleries Private Limited (RSDPL) started its commercial production in 2010 with a bottling plant at Sunam (Punjab) containing two production lines which later on increased to seven production lines for blending, bottling and selling of various alcoholic beverages viz. rum, whisky and vodka with different flavours under different brand names. The company's flagship brand 'Dennis Special Whisky' contributes ~64% of the total sales of the company in FY24 (~57% in FY23). The company has an installed capacity of manufacturing 18 Lakh cases of all sizes of bottles. The major markets for the company are Delhi, Punjab, Uttar Pradesh, Uttarakhand and Telangana. RSDPL also supplies its product to CSD of armed forces.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	152.94	155.94
EBITDA	10.69	8.01
PAT	4.48	1.67
Total Debt	41.83	53.02
Tangible Net Worth	41.09	42.76
EBITDA Margin (%)	6.99	5.14
PAT Margin (%)	2.93	1.07
Overall Gearing Ratio (x)	1.02	1.24
Interest Coverage (x)	2.75	1.63

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA:

Brickworks Ratings has continued to classify the ratings of the bank facilities of RSDPL under "ISSUER NOT COOPEARATING" category, vide their press releases dated July 26, 2024, due to absence of adequate information from the company.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in in 2021-22
					July 21, 2023	-	-
1.	Term Loan	Long Term	1.27	IVR BBB-; Stable	IVR BBB-; Stable	-	-
2.	Cash Credit	Long Term	45.00	IVR BBB-; Stable	IVR BBB-; Stable	-	-
3.	Cash Credit – Proposed	Long Term	4.13	IVR BBB-; Stable	IVR BBB-; Stable	-	-
3.	Bank Guarantee	Short Term	17.30	IVR A3	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).

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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.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	FY27	1.27	IVR BBB-; Stable
Cash Credit	-	-	-	-	45.00	IVR BBB-; Stable
Cash Credit – Proposed	-	-	-	-	4.17	IVR BBB-; Stable
Bank Guarantee	-	-	-	-	17.30	IVR A3

Annexure 2: Facility wise lender details

https://www.infomerics.com/admin/prfiles/len-RockStorm-sep24.pdf

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

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