



Press Release

Som Distilleries & Breweries Limited

September 23, 2024

Ratings

Security/ Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities-Term Loan	20.96*	IVR A-/Stable (IVR Single A Minus with Stable Outlook)	-	Assigned	Simple
Long Term Bank Facilities-Cash Credit	79.04 (Including proposed limit of Rs. 13.04 crore)	IVR A-/Stable (IVR Single A Minus with Stable Outlook)	-	Assigned	Simple
Total	100.00 (Rupees One Hundred crores only)				

* Outstanding as on March 31st, 2024

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

For arriving at the ratings, Infomerics Ratings has considered the consolidated financials of Som Distilleries & Breweries Limited (SDBL) and its subsidiaries — Woodpecker Distilleries & Breweries Private Limited (WDBPL; 78.87% shareholding as on March 31, 2024) and Som Distilleries & Breweries Odisha Private Limited [SDBOPL- Wholly Owned Subsidiary (WOS) of SDBL] together referred to as the company or SDPL. The entities have strong financial and operational linkages, selling products under the same brands and sharing a common management.

The ratings assigned to the bank facilities of Som Distilleries & Breweries Limited (SDBL) derives comfort from the company's long track record of operations under experienced promoters and established brand presence of the company majorly in Madhya Pradesh, Karnataka and Odisha. Further, the ratings also positively note the sustained growth in scale of operations of the company over the past three fiscal's years coupled with healthy year on year improvement in business performance in FY2024 [FY refers to the period from April 01 to March 31]. Furthermore, the rating also considers the comfortable capital structure and healthy debt coverage indicators of the company. However, these rating strengths are partially offset by the company's exposure to geographical concentration risk, vulnerability to



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regulatory changes in the liquor industry, exposure to intense competition, susceptibility of profitability to volatile input prices and working capital intensive nature of its operations.

The stable outlook reflects the expected stable business performance of the company over the medium term underpinned by its established position in the alco-bev industry, long standing relationship with customers and a healthy financial risk profile.

Key Rating Sensitivities:

Upward Factors:

- Growth in scale of operations with increase in operating margin to over 13%.
- Sustenance of the capital structure with improvement in debt coverage indicators
- Improvement in working capital management with improvement in its operating cycle

Downward Factors:

- Moderation in scale of operations and/or moderation in profitability on a sustained basis
- Moderation in the capital structure with deterioration in overall gearing to over 1x
- Elongation in the working capital cycle leading to deterioration in the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of operations under experienced promoters**

Incorporated in 1993, SDBL has an operational track record of over two decades in the production and sales of beer and IMFL (Indian Made Foreign Liquor) and has created an established presence in the sector. The company is managed by a Board consisting of six Directors who have extensive experience in the alco-bev industry which enables the company to build strong relationships with customers and suppliers.

On June 17, 2024, SDBL, has responded to the stock exchanges about the media articles, alleging child labour related issues at a plant in one of its Group entities, Som Distilleries Private Limited (SDPL). SDBL informed that the allegations pertain to its associate company and the business operations of SDBL and its subsidiaries, WDBPL and SDBOPL remain unimpacted. Further, it has also been confirmed by the management that no case filed against the company. Infomerics notes that the company's business performance and liquidity position remain adequate. Infomerics will monitor any impact on the entity related to this event and take appropriate rating action, if necessary.



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- **Established brand presence**

SDBL sells its products under the brand name of Hunter, Woodpecker, Black Fort, and Power Cool which is well renowned across the country primarily in the key states where the company operates which is Madhya Pradesh, Karnataka and Odisha. The company enjoys a healthy brand recall which is likely to benefit the company in the form of increase in market share going forward.

- **Significant growth in business performance**

SDBL witnessed a steady growth in its total operating income (TOI) at a CAGR of ~65% from FY2021-FY2024 with a y-o-y growth of ~59% from Rs.806.68 crore in FY2023 to Rs.1280.67 crore in FY2024 on the back of robust volume growth and increase in market share in its key markets of Madhya Pradesh, Karnataka and Odisha driven by increase in demand for beer. Further, increase in production capacities in all the three manufacturing units from FY2023 onwards coupled with increase in selling prices added to the healthy growth in earnings in FY2023 and subsequently in FY2024. EBITDA margin moderated marginally from 12.66% in FY2023 to 11.67% in FY2024 due to increase in raw material prices. Nevertheless, on absolute terms, EBITDA increased from Rs.102.10 crore in FY2023 to Rs.149.45 crore in FY2024. Consequently, PAT also increased from Rs.60.30 crore in FY2023 to Rs.86.50 crore in FY2024. During Q1FY2025 also, SDBL reported further growth in its performance and achieved a TOI and PAT of Rs.513.08 crore and Rs.40.55 crore respectively against Rs.385.02 crore and Rs.33.67 crore respectively during Q1FY2024. The company's ability to sustain the growth in its scale of operations without compromising its margins will remain a key rating monitorable going forward.

- **Healthy financial risk profile characterised by comfortable capital structure and healthy debt coverage indicators**

The capital structure of the company remained comfortable and improved with long term debt equity ratio and overall gearing of 0.21x and 0.33x respectively as on March 31, 2024, as against 0.49x and 0.66x respectively as on March 31, 2023. The overall gearing including corporate guarantee extended to its group companies also stood comfortable at 0.37x as on March 31, 2024. The improvement in capital structure is on account of reducing debt levels with improvement in cash accruals and accretion of profit to reserves. The company has a strong net worth base of Rs.592.97 crore as on March 31, 2024. Further, the company has been regularly infusing equity - Rs.101.22 crore infused in FY2024 (including unallotted shares of Rs.32.07 crore) pursuant to rights issue, preferential issue



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and conversion of warrants, Rs.27.20 crore infused in FY2023 pursuant to conversion of warrants and Rs.17.50 crore infused in FY2022 pursuant to rights issue. The same was done to fund the capacity expansion plans of the company. Total indebtedness as reflected by TOL/ATNW also stood comfortable at 0.97x as on March 31, 2024. With increase in profits coupled with reduction in interest cost and debt levels, the debt coverage indicators also improved and remained comfortable with ICR of 12.57x in FY2024 as against 6.39x in FY2023. Total debt/EBITDA and Total debt/NCA also improved from 2.44x and 2.90x respectively as on March 31, 2023, to 1.32x and 1.58x respectively as on March 31, 2024.

Key Rating Weaknesses

- **Exposure to geographical concentration risk**

Though SDBL has a PAN India presence, yet a major portion of its revenue is derived from Madhya Pradesh followed by Karnataka and Odisha which implies geographical concentration in revenue profile and any economic downturn in these states will directly impact the operations of the company. However, the company is focussing on diversifying its operations to new geographies and increase its sales in other states like Uttar Pradesh and Rajasthan, though the impact of the same is yet to be seen.

- **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.

- **Exposure to intense competition**

The business is exposed to intense competition due to presence of many established players in the beer industry with well recognised brands.

- **Susceptibility of profitability to volatile input prices**

The prices of the key raw materials for the company – barley and glass bottles are volatile in nature and SDBL has to keep stocks in sufficient quantities to remain competitive in the market. Also, barley being an agro commodity, the production of the same is seasonal and is susceptible to vagaries of nature. As such SDBL's margins remain exposed to volatility in the raw material prices.



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- **Working capital intensive nature of operations**

SDBL's operations are working capital intensive due to high debtors and inventory holding, especially during the peak season. The company has to extend a credit of around 45 to 60 days to its key customers. Further, there are also delays in realisations from Canteen Stores Department (CSD). The inventory days varies during the year based on peak and lean season. However, the company enjoys a credit of around 30-45 days from its raw material suppliers which imparts some comfort.

Analytical Approach: Consolidated

For arriving at the ratings, Infomerics Ratings has considered the consolidated financials of Som Distilleries & Breweries Limited (SDBL) and its subsidiaries — Woodpecker Distilleries & Breweries Private Limited (WDBPL; 78.87% shareholding as on March 31, 2024) and Som Distilleries & Breweries Odisha Private Limited [SDBOPL - Wholly Owned Subsidiary (WOS) of SDBL] together referred to as the company or SDPL. The entities have strong financial and operational linkages, selling products under the same brands and sharing a common management. List of entities considered for consolidated analysis is given at Annexure 4.

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 – Strong

The liquidity position of the company is likely to remain strong in the near to medium term marked by expected sufficient cash accruals vis-à-vis its debt repayment obligation for the next three years. The company has a comfortable capital structure with overall gearing of 0.33x as on March 31, 2024, indicating strong gearing headroom. Further, the current ratio also stood comfortable at 1.30x as on March 31, 2024. Furthermore, the average utilisation of working capital borrowings (on a standalone basis) remained comfortable at ~58% for the last twelve months ended June 2024 indicating sufficient cushion in its working capital limits.

About the Company

Incorporated on March 26, 1993, Som Distilleries and Breweries Limited (SDBL) is the flagship company of the Bhopal based Som Group which is primarily engaged in production of Beer



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and the blending and bottling of Indian Made Foreign Liquor (IMFL). The manufacturing unit of the company is located in Raisen, Madhya Pradesh with an installed production capacity of 15.2 million cases per annum (mcpa) of beer and 1.2 mcpa of IMFL.

SDBL has two subsidiaries namely Woodpecker Distilleries & Breweries Private Limited (WDBPL) and Som Distilleries & Breweries Odisha Private Limited (SDBOPL). While SDBOPL is a wholly owned subsidiary (WOS) of SDBL, SDBL holds 78.87% shareholding in WDBPL. Both the subsidiary companies are involved in the alco-bev industry. WDBPL's manufacturing unit is located in Hassan, Karnataka and has an installed production capacity of 9 mcpa of beer and 1.2 mcpa of IMFL. The capacity for beer increased to 14 mcpa from April 2024 onwards. The commercial production from the Hassan unit commenced from June 2018. SDBOPL's manufacturing unit is located in Cuttack, Odisha and has an installed production capacity of 6 mcpa of beer, the commercial production of which commenced from March 2019. On a consolidated basis, the Group has a production capacity of 35.2 mcpa of beer and 2.4 mcpa of IMFL.

Financials (Consolidated):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	806.68	1280.67
EBITDA	102.10	149.45
PAT	60.30	86.50
Total Debt	248.64	197.26
Tangible Net Worth	374.98	592.97
EBITDA Margin (%)	12.66	11.67
PAT Margin (%)	7.46	6.72
Overall Gearing Ratio (x)	0.66	0.33
Interest Coverage (x)	6.39	12.57

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Brickworks vide its press release dated August 08, 2023, maintained the rating under issuer not cooperating category due to non-submission of information by the company.

Any other information: Nil

Rating History for last three years:



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Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			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 2021-22
1	Term Loan	Long Term	20.96*	IVR A-; Stable	-	-	-
2	Cash Credit	Long Term	79.04 (Including proposed limit of Rs. 13.04 crore)	IVR A-; Stable	-	-	-

* Outstanding as on March 31st, 2024

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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 and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not



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recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	April 2026	11.13*	IVR A- / Stable
Term Loan			February 2026	9.83*	IVR A- / Stable
Cash Credit	-	-	-	79.04	IVR A- / Stable

* Outstanding as on March 31st, 2024

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SomDistilleries-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:

Name of the Entity	Consolidation/Combined Approach
Som Distilleries & Breweries Limited	Consolidation
Woodpecker Distilleries & Breweries Private Limited	Consolidation
Som Distilleries & Breweries Odisha Private Limited	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.