



Press Release

Sona Beverages Private Limited

February 13, 2024

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Previous Ratings	Current Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facility	88.76	IVR BB+/Negative/ Issuer Not Cooperating (IVR Double B Plus with Negative Outlook/ Issuer Not Cooperating)	IVR BBB/Stable (IVR triple B with Stable Outlook)	Upgraded and moved out of Issuer Not Cooperating Category	Simple
	Total	88.76	Rupees Eighty Eight Crore and Seventy Six Lakhs Only			

Details of Facilities are in Annexure 1

Detailed Rationale

Informetrics Valuation and Rating Private Limited (IVR) has upgraded the rating and moved out of Issuer not Cooperating category for long-term rating at IVR BBB with Stable outlook for the bank loan facilities of Sona Beverages Private Limited (SBPL).

The rating continues to draw comfort from its experienced promoters and management, improved scale of operations and profitability margins, comfortable debt protection metrics and capital structure. However, these rating strengths are partially offset by intense competition from distributors of other liquor manufacturing principals, presence in the highly regulated liquor industry, profitability margins exposed to volatility in prices of key raw material.

IVR has principally relied on the audited financial results of SBPL's up to 31 March 2023, and projected financials for FY24, FY25 and FY26, and publicly available information/ clarifications provided by the company's management.

Upward factors

- Significant and sustained growth in revenues leading to improvement in profitability.
- Improvement in capital structure and debt protection metrics.
- Improvement in liquidity profile of the company.

Downward factors

- Any regulatory changes impact on the business risk profile of the company.
- Deterioration in scale of operations coupled with deterioration in profitability and/or impairment in liquidity position.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters and management:

SBPL's promoters have a long track record of more than four decades in liquor manufacturing and distribution segment. Initially was engaged in the business of retail and distribution of liquor, and gradually moved into manufacturing by getting into a contract bottling agreement with English brand SABMiller. The company launched its own craft beer brand 'Simba' in 2016. SBPL's CEO, Mr. Prabhtej Singh Bhatia, has a degree in Economics from the University of Exeter and is well versed with the intricacies of the liquor industry. He is well supported in the day-to-day operations by Mr. Gurpreet Singh Bhatia and Mr. Satpal Singh Bhatia.

Improved scale of operations and profitability margins:

The total operating income of the company has substantially improved from Rs.146.63 crore in FY2022 to Rs.238.63 crore in FY2023 due to the demand for its product has increased. Further, the company's commitment to delivering a superior quality of beer has heightened customer satisfaction, translating into increased sales. Strategic improvements in branding and packaging have further elevated the product's appeal, positively influencing consumer perception and demand. The EBIDTA and PAT margin has also improved from 18.04% and 9.19% respectively in FY2022 to 22.27% and 14.02% respectively in FY2023 due to improved TOI in FY2023.

Comfortable debt protection metrics and capital structure:

As on March 31, 2023, overall gearing of SBPL stood comfortable at 0.92x (March 31, 2022: 0.98x), TOL/TNW stands at 1.42x on March 31, 2023 (March 31, 2022: 1.50x) and interest coverage ratio at 8.05x in FY23 improved from 5.78x in FY22 with an improvement in operating profitability. The company's credit profile is expected to remain moderate in the medium term, aided by improving operational performance and scheduled repayments.

Key Rating Weaknesses

Intense competition from distributors of other liquor manufacturing principals:

The company faces intense competition from distributors of other liquor manufacturing principals. However, SBPL's established presence over two decades imparts some comfort. Further, discretionary nature of the expenditure also may sometimes limit demand especially in times of subdued incomes.

Presence in the highly regulated liquor industry:



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Liquor is a state subject and hence, each state formulates its own policies and there are no uniform nationwide laws governing the sector. There are restrictions on the inter-state movement of liquor and such movement invites a tax which has a significant bearing on the pricing of the final product and largely curtails profitability.

Profitability margins exposed to volatility in prices of key raw material:

Malt, barley, and broken rice are the key raw materials for SBPL. These agricultural commodities have exhibited considerable volatility in the recent past due to various reasons, such as government policies, effects of monsoon, demand-supply scenario, etc. Profitability margins of liquor manufacturers are exposed to adverse movement in the prices of these commodities, thus, any unprecedented increase in the raw material prices going forward, may impact SBPL profitability.

Analytical Approach: For arriving at the ratings, IVR has analysed SBPL's credit profile by considering the standalone financial statements of the company .

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The company's liquidity is adequate marked by sufficient cushion in cash accruals vis-à-vis debt repayments. SBPL reported a GCA of Rs.38.86 Crore in FY23 and has repayment obligation of Rs.8.04 Crore in FY23. Bank limits of the company remained utilized to the extent of ~92% during the past 12 months ended November 2023 indicating adequate liquidity. The company has a current Ratio of 1.60x as of March 31, 2023. The free cash & cash equivalent was Rs 0.79 Crore as on March 31, 2023. Liquidity is expected to remain Adequate.

About the Company

Sona Beverages Private Limited (SBPL) was incorporated in 2006. The group and the promoters have been present in the alcohol distribution and manufacturing business for more than 30 years. Also, the group has a presence in various other segments like fisheries, hotels, real estate etc. The company also has entered into a contract for manufacturing and selling beers under the "Carlsberg" brand in the state of Chhattisgarh, wherein it shall pay a royalty of Rs.80.00 per case to Carlsberg with a minimum sale of 2.5 lakhs cases per annum. The company commenced this activity in September 2018. At present, Simba is sold in various states like Chhattisgarh, Jharkhand, Haryana, Rajasthan, Goa, Assam and Madhya Pradesh, Maharashtra, etc. Because of the measures taken by the company over the last three years, and the gain in market share from other brands in the state, the company has been able to successfully migrate its business primarily from a contract bottling unit to manufacturer of beer (under its own brand).



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Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	146.63	238.63
EBITDA	26.45	53.13
PAT	13.80	34.43
Total Debt	60.22	88.13
Tangible Net worth	61.38	95.74
EBITDA Margin (%)	18.04	22.27
PAT Margin (%)	9.19	14.02
Overall Gearing Ratio (x)	0.98	0.92

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Brickwork Ratings vide press release dated January 18, 2023, respectively, has continued to classify the case under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Rating (October 5, 2023)	Date(s) & Rating(s) assigned in 2022-23 (September 5, 2022)	Date(s) & Rating(s) assigned in 2022-23 (June 7, 2022)	Date(s) & Rating(s) assigned in 2021-22 (March 12, 2021)
1.	Fund Based	Long Term	88.76	IVR BBB/Stable	IVR BB+/Negative/INC*	IVR BBB-/Stable	IVR BB+/INC*	IVR BBB-/Stable

*Issuer Not Cooperating.

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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.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook



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Term Loan 1	-	-	March 2025	7.51	IVR BBB/Stable
Term Loan 2	-	-	November 2028	21.25	IVR BBB/Stable
Cash Credit	-	-	-	60.00	IVR BBB/Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-SBPL-13feb24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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 [Complexity Level of Rated Instruments/Facilities.s](#)