



Press Release

Westwell Gases Private Limited

November 29, 2024

Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	28.75	IVR BBB; Stable (IVR Triple B with Stable Outlook)	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	Upgraded	Simple
Short Term Bank Facilities	21.25	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	Upgraded	Simple
Total	50.00 (Rupees fifty crore 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 upgrade in the ratings assigned to the bank facilities of Westwell Gases Private Limited (WGPL) considers its strong liquidity coupled with healthy revenue growth in FY24 [FY refers to period from April 01 to March 31] and subsequently in H1FY25 albeit moderation in profitability. The ratings also continue to derive comfort from its experienced promoters in the liquor industry, relationship with key liquor manufacturing principals, moderate capital structure with satisfactory debt protection metrics and favourable demand outlook for alcoholic beverage industry. However, these rating strengths remain constrained due to its short track record of operation, thin profitability in line with trading nature of operations, exposure to intense competition and presence in the highly regulated liquor industry. The stable outlook reflects that the company will continue to maintain a stable business performance on the back of its experienced promoters and high demand of liquor in the domestic market.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Sustained capital structure and sustained improvement in interest coverage ratio

Downward Factors

- Decline in revenue and profitability leading to moderation in GCA on a sustained basis
- Impairment in the capital structure with moderation in overall gearing to over 2x



Press Release

- Increase in operating cycle impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters in the liquor industry

Mr. Rajesh Kumar Prasad, CEO of WGPL, has a vast experience of over 20 years in the liquor industry. Mr. Amit Jain, the promoter of WGPL has overall experience of more than 10 years with around two years' experience in liquor industry. Mr. Mukesh Kumar and Mr. Ashok Jaiswal has experience of around two decades in liquor industry by virtue of working in other liquor manufacturing companies.

Relationship with key liquor manufacturing principal

WGPL distributes beer, whiskey, scotch, wine and other liquor products of key domestic liquor manufacturing principals. Additionally, the company also distributes imported labels of whiskey, scotch, tequila and other products. Further, the company has added more brands, ready to drink products like Bacardi, Sky Vodka, Campari etc. in its portfolio. Diversified product offering by the company further strengthens its position.

Healthy revenue growth in FY24 and in H1FY25 albeit moderation in profitability

The revenue of the WGPL grew manifold to Rs. 3455.84 crore from Rs.1308.98 crore in FY23 on the back of increase in sales volume coupled with inclusion of additional excise duty (AED) and special purpose levy duty (SPLD) in turnover booked from the state of West Bengal as per change in regulations in the state. Previously in FY23, these duties were not there for turnover booked from trading within West Bengal. With increase in topline, absolute EBITDA and PAT has also improved in FY24. However, the EBITDA margin has moderated from 1.14% in FY23 to 0.60% in FY24 due to increase in infrastructure establishment cost and rent expenses for standalone depo as per the new government regulation for trading of Indian Made Foreign Liquor (IMFL). The PAT margin also moderated from 0.81% in FY23 to 0.40% in FY24 mainly due to rise in interest outgo attributable to elevated debt level. In H1FY25, the company has achieved a revenue of ~Rs.1932.92 crore.

Moderate capital structure and satisfactory debt protection metrics

The capital structure of the company (including subordinated unsecured loan amounting to Rs. 4.82 crore as quasi equity) though deteriorated, stands moderate with overall gearing of



Press Release

1.67x as on March 31, 2024 (0.02x as on March 31, 2023) due to increase in utilisation of working capital borrowing as on the balance sheet date. The total indebtedness of WGPL as indicated by TOL/ATNW though remained high but improved from 8.71x as on March 31, 2023 to 6.42x as on March 31, 2024 mainly driven by reduction in its creditor outstanding as on the account closing date and accretion of profits to reserve. Debt protection metrics as indicated by interest coverage ratio, though moderated stands satisfactory at 7.51x in FY24 (against 17.36x in FY23). The moderation in ICR is due to increase in finance charges attributable to increase in debt level. Total debt to NCA and Total debt to EBITDA also stands moderate at 3.47 years and 2.37x respectively as on March 31, 2024.

Favourable demand outlook for alcoholic beverage industry

The demand outlook for the industry is favourable, led by increasing consumption on account of rising disposable income, urbanisation and changing consumer preferences.

Key Rating Weaknesses

Short track record of operation

WGPL started distribution of liquor from February 2022, hence it has a short track record of operation of around two and a half years.

Thin profitability in line with trading nature of operations

The operating profitability has remained thin on account of low value additive trading nature of business with no pricing flexibility. The company's profit margins remained thin with EBITDA margin at 0.60% and PAT margin at 0.40% respectively in FY24.

Presence in the highly regulated liquor industry

Liquor is a highly regulated industry with the state government controlling the sales and distribution, making the company susceptible to changes in Government policies. Any change in Government policies with respect to production and distribution of liquor, taxation, and state excise duty or any material changes in the duty structure may impact the company.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)



Press Release

[Rating Methodology for Trading Companies](#)

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

[Policy on Default Recognition](#)

[Criteria on complexity](#)

Liquidity – Strong

WGPL has comfortable liquidity profile marked by negligible repayment obligations as against its healthy gross cash accruals. Further, the company has adequate gearing headroom marked by its comfortable capital structure. The average utilization of fund based working capital limits for past twelve months ended September 2024, stood at ~43% indicating comfortable liquidity buffer. Moreover, the company has healthy free cash and fixed deposits aggregating to Rs.31.62 crore as on October 31, 2024.

About the Company

Westwell Gases Pvt Ltd (WGPL) was incorporated in March 2013 for the purpose of carrying on business of dealer, trader, distributor etc. of all type of foreign liquor, country liquor, alcoholic drinks, beer, canned beer etc. However, it remained dormant and started distributorship business of Indian Made Indian Liquor (IMIL) & Indian Made Foreign Liquor (IMFL) in the state of West Bengal from February 2022. WGPL is a subsidiary (~51% holding) of S.M. Auto Parts Pvt Ltd. WGPL is presently managed by three directors namely Mr. Amit Jain, Mr. Mukesh Kumar and Mr. Ashok Jaiswal and a team of experienced personnel.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	1308.98	3455.84 [^]
EBITDA	14.91	20.69
PAT	10.58	13.69
Total Debt	0.31	48.94
Tangible Net Worth	11.09	24.75
Adjusted Tangible Net Worth	13.37	29.57
EBITDA Margin (%)	1.14	0.60
PAT Margin (%)	0.81	0.40
Overall Gearing Ratio (x)	0.02	1.65
Interest Coverage (x)	17.36	7.51

* Classification as per Infomerics' standards. [^]incl. AED and SPLD

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



Press Release

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 2021-22
					Sep 26, 2023	-	-
1.	Cash Credit	Long Term	28.75	IVR BBB; Stable	IVR BBB-; Stable	-	-
2.	Bank Guarantee	Short Term	21.25	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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Press Release

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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
Cash Credit	-	-	-	-	28.75	IVR BBB; Stable
Bank Guarantee	-	-	-	-	21.25	IVR A3+

Annexure 2: Facility wise lender details:

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