



Press Release

Leade Liquor Manufacturing Private Limited

July 04, 2023

Rating

Facility	Amount (Rs. Crore)	Rating	Rating Action	Complexity Indicator
Long-Term Bank Facilities (Proposed)	3.60	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	Assigned	Simple
Total	3.60 (INR Three crore and sixty lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

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 and financial linkages. The rating assigned to the bank facilities of Leade Liquor Manufacturing Private Limited (LLMPL) derives strength from its experienced promoter, stable business performance along with association with Pernod Ricard India Private Limited (PRIPL). Further, the rating continues to derive comfort from the satisfactory capital structure with satisfactory debt protection metrics of the Aroma group coupled with favourable demand outlook of Indian liquor industry. However, these rating strengths remain partially offset by thin profit margins owing to its nature of operation, risk of non-renewal of contract with PRIPL along with the vulnerability to regulatory changes in the liquor industry.

Key Rating Sensitivities:

Upward factors

- Sustained growth in bottling fee with 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.



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- 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 Ricard 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. All the three companies of Aroma group has an agreement with PRIPL which imparts comfort. However, regular renewal of those agreements are critical from credit perspective.

- **Stable business performance**

The business performance of the Aroma group remained stable over the years being a bottler of PRIPL. The group is entitled to receive a fixed bottling charge from the principal. In view of the same though the profit margin remained thin over the years the business remains insulated from saleability risk as all the sales and purchases are controlled by Pernod Richard. Moreover, with the rise in volume the bottling fee of the group has also improved gradually over the years from ~Rs.41 crore in FY21 to ~Rs.63 crore in FY23.

- **Satisfactory 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. Hence, the overall gearing stood comfortable at 0.48x as on March 31, 2022, against 0.74x as on March 31, 2021. Further, driven by a steady EBITDA and low finance costs, interest coverage improved and stood at 6.52x in FY22 against 5.49x in FY21. Further, Total Debt to EBITDA and Total Debt to GCA stood comfortable at 1.25x and 1.26x respectively as on March 31, 2022. The leverage ratios are also estimated to improve in FY23 backed by accretion of profit to net worth.

- **Favorable demand outlook**



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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:

- **Thin profit margins**

The profitability of the group remained low historically considering the fixed nature of its operations. Hence, both EBITDA margin and PAT margin stood thin at 1.69% and 1.23% respectively in FY22 against 2.02% and 1.26% respectively in FY21. However, as per the estimated FY23 numbers, both EBITDA margin and PAT margin have improved over FY22 and estimated to stand at ~2.17% and ~1.48% respectively.

- **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 of Leade Liquor Manufacturing Private Limited, Oaken Gold Bottling Private Limited and Aroma India Private Limited commonly referred to as the Aroma group hereafter since these three entities are engaged in a 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 3.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity: Adequate

The liquidity of the group is expected to remain adequate marked by its expected adequate cash accruals in the range of ~Rs.22-29 crore as against debt obligations in the range of ~Rs. 6-6.50 crore during the projected period of FY24-FY26. The group has a satisfactory gearing headroom marked by its satisfactory leverage ratios and after the considering the planned capex during the projected period it is expected to remain comfortable as well. Further as on March 31, 2023, the group has a comfortable unincumbered cash balance of ~Rs.37 crore providing additional liquidity cushion to LLMPL.

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.

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.

Financials of Aroma Group (Combined):

For the year ended* / As On	(Rs. crore)	
	31-03-2021	31-03-2022
	Combined	Combined
Total operating Income	796.51	1167.43
EBITDA	16.06	19.78
PAT	10.11	14.40
Total Debt	28.17	25.23
Tangible Net worth	38.14	52.45



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EBITDA Margin (%)	2.02	1.69
PAT Margin (%)	1.26	1.23
Overall Gearing Ratio (x)	0.74	0.48
Interest Coverage	5.49	6.40

*Classification as per Infomerics' standards.

Financials of Leade Liquor Manufacturing Limited (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Audited
Total operating Income	308.22	323.20
EBITDA	6.11	4.97
PAT	2.69	3.00
Total Debt	13.13	13.76
Tangible Net worth	16.37	19.31
EBITDA Margin (%)	1.98	1.54
PAT Margin (%)	0.84	0.92
Overall Gearing Ratio (x)	0.80	0.71
Interest Coverage	5.07	3.44

*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 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Proposed Term Loan	Long Term	3.60	IVR BBB-/ Stable	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Indranil Mukherjee	Name: Mr. Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: indranil.mukherjee@infomerics.com	Email: apodder@infomerics.com

About Infomerics:



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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 visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Proposed Term Loan	-	-	-	3.60	IVR BBB-/ Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-leade-liquor-jul23.pdf>

Annexure 3: List of companies considered for consolidated analysis:



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Name of the Company	Consolidation Approach
Leade Liquor Manufacturing Limited	Full Consolidation
Oaken Gold Bottling Private Limited	Full Consolidation
Aroma India Private Limited	Full Consolidation

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 www.infomerics.com

