



## Press Release

Wave Beverages Private Limited

December 23, 2020

### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	35.00	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
	<b>Total</b>	<b>35.00 (Thirty Five Crore)</b>		

Details of Facilities are in Annexure 1

### Detailed Rationale

The rating assigned to the bank facilities of Wave Beverages Private Limited draws comfort from its experienced promoters and long track record, Established Market Position and franchisee agreement with The Coca Cola Company. However, these rating strengths are partially offset by its Geographical concentration in revenue, buyer concentration risk and its vulnerability to adverse regulatory changes. The Rating also considers their strong understanding of local market dynamics, and healthy relationships with customers and suppliers.

### Key Rating Sensitivities:

#### Upward Factor:

- Substantial and sustained growth in operating income and improvement in profitability
- Sustenance of the capital structure and improvement in debt protection metrics



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### **Downward factor:**

- Moderation in operating income and/or cash accrual or deterioration in operating margin, any stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure affecting the financial risk profile, particularly liquidity.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters and long track of record**

WBPL has an operational track record from 2005. The company is managed by Chadha and Kandhari Family. They handle the day to day operations of the company. Long standing presence of the promoter in the industry has helped the firm to build established relationships with both customers and suppliers.

##### **Established Market Position and franchisee agreement with The Coca Cola Company**

Wave Beverages Pvt Ltd has a strong position in Punjab and Himachal Pradesh region where it is the distributor for Coca Cola India Pvt Ltd (CCI) for the carbonated soft drinks (CSD) segment (includes Coca-Cola, Thums Up, Sprite, Limca, and Fanta). The company has registered a compound annual growth rate of around 8.69% for the past four fiscals to Rs 312 crore for fiscal 2020; operating margin was estimated to be healthy at 6.48%. The company also benefits from its promoters' extensive experience, their strong understanding of local market dynamics, and healthy relationships with customers and suppliers.

#### **Key Rating Weaknesses**

##### **Geographical concentration in revenue**

While there is scope for further penetration in the acquired territories, the exclusive franchise agreement restricts WBPL's sales and growth potential to the defined territories. With consumers increasingly turning health conscious, CSDs are losing market share to non-carbonated drinks. The company also faces stiff competition from PepsiCo India and other



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beverage manufacturers in the CSD segment. Incremental sales growth will, therefore, depend on the success of non-carbonated products.

### **Vulnerability to adverse regulatory changes**

WBPL remains vulnerable to any unfavorable government regulation over the contents of aerated drinks, and rising environmental concerns in the country regarding water depletion and discharge of effluents by bottling plants. Furthermore, evolving concerns related to disposal of plastic may impact the beverages industry.

### **Buyer Concentration Risk**

WBPL has a buyer's concentration risk as the whole revenue of the company is solely dependent on the products of Coca-Cola India Pvt Ltd. However, due to the exclusive rights given by the Coca Cola India for distribution of its products and the networks of sales and distribution teams in Punjab and Himachal Pradesh covering over 50000 outlets, the risk gets mitigated.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity: Adequate**

Wave Beverages Private Limited earned a GCA of Rs. 18.34 crore in FY20 and has repayment obligation of Rs. 1.06 crore. Bank limits of the company remained utilized to the extent of ~52% during the past 12 months ended August 2020 indicating an adequate liquidity buffer. The company has a Current Ratio of 1.12x as of March 31, 2020. The free cash & cash equivalent was Rs. 1.24 Crore as on March 31, 2020. Liquidity is expected to remain Adequate.



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### About the Company

Wave Beverages Pvt Ltd has a franchisee of Coca- Cola India Pvt Ltd. It is one of the segments of Group Companies under Wave Infratech which is into varied business segments. They are in the business of manufacturing and distribution of different products of Coca- Cola in 11 districts of Punjab and 2 districts of Himachal Pradesh

### Financials (Standalone):

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	272.99	312.13
EBITDA	14.71	20.23
PAT	-1.49	4.36
Total Debt	22.58	30.37
Tangible Net worth	48.39	52.56
EBITDA Margin (%)	5.39	6.48
PAT Margin (%)	-ve	1.40
Overall Gearing Ratio (x)	0.28	0.35

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information: Nil**

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	35.00	IVR BBB-/ Stable	-	-	-

**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](http://www.infomerics.com).



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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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
Bank Facilities – Cash Credit	-	-	-	35.00	IVR BBB-/ Stable
Short Term Bank Facilities–Bank Guarantee	-	-	-		