

CMJ Breweries Private Limited

April 04, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	176.93 (Reduced from 181.93)	CARE D (Single D)	Reaffirmed
Total Bank Facilities	176.93 (Rs. One Hundred Seventy-Six Crore and Ninety-Three Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to bank facilities of CMJ Breweries Pvt Ltd (CMJ) continues to take into account ongoing delays and defaults in debt servicing, weak profitability with cash losses, stressed capital structure with negative networth and changes in government regulations impacting the spirit industry. The ratings also factor in modest track record of promoters and company's association with leading brands.

Rating Sensitivities

Positive Factors

- Equity infusion leading to shoring up of networth and easing of liquidity.
- Reporting positive profits on a sustainable basis
- No delays and defaults in servicing debt.

Detailed description of the key rating drivers

Key Rating Weaknesses

Ongoing delays in debt servicing

In F21, CMJ has undertaken a One Time Settlement (OTS) for the outstanding dues with Punjab National Bank, Indian Bank, Allahabad Bank, State Bank of India and IFCI Ltd. However, the facilities of Canara Bank and Meghalaya Industrial Development Corporation (MIDC) have been restructured. However currently, the delays continue in servicing of term debt as per the interaction with few of the lenders.

Weak profitability marked by cash losses and stressed capital structure with negative networth

TOI has increased from 261.21 cr in FY20 to Rs 291.72 cr in FY21, however despite the increase the recovery in revenue the company continue to report cash losses. Further during fiscal 2021 the company report damaged and unsaleable goods of Rs 21.41 crores which was booked as losses for the said fiscal resulting in further stress on the overall profitability. The company has reported negative PBT at Rs -41.95 cr in FY21 vis-à-vis Rs -36.69 cr in FY20. Cash loss stood at Rs.12.90 cr in FY21 as against Rs. 6 cr in FY20. The overall gearing ratio is negative as on March 31, 2021, on account of negative net worth of the company.

Changes in government regulations impacting the spirit industry

In the past few years, particularly since 2016, the industry faced a string of issues ranging from alcohol ban, demonetisation, highway ban and exclusion from GST. These factors had a telling impact on alcohol production.

Key Rating Strengths

Modest track record of operations

Mr. Ronak Jain S/o Mr. Rohit Jain, is a Commerce Graduate with MBA degree from Monash University of Australia. He is Director of the company. After completing his studies, he is actively involved in the family business of CMJ Group. He has an experience of more than a decade in this company.

Association with leading brands

The company is manufacturing beer under bottling agreement/Job work and own brands such as Asia 72 , Meakins 1000, Heman 9000, Kingfisher Strong & lager, Godfather , Magpie, Savage, Red Indian , Shimla ,etc . The company has bottling agreement in the Indian-made foreign liquor (IMFL) unit with "United Spirits Limited", Allied Blenders & Distillers Private limited.

In the Extra Neutral Alcohol (ENA) Unit, the company has tie-up with United Spirits Limited, Allied Blenders, Distillers Private limited & other local bottling units in north eastern states.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Liquidity: Poor

Liquidity is marked by negative gross cash accruals as on March 31, 2021. With a negative overall gearing as on March 31, 2021, the issuer does not have sufficient headroom, to raise additional debt for its future capex.

Analytical approach: Standalone

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Manufacturing Companies](#)

About the Company

CMJ Breweries Pvt Ltd, incorporated in November 2007, is promoted by the Meghalaya-based Jain family. For the Brewery segment -The annual installed capacity was increased from 2,00,000 HPLA in 2013 and to 700,000 HPLA in 2020. The distillery commenced operations in October 2014. The company has set up a 100 KLPD state of art grain based Extra Neutral Alcohol (ENA) Plant at Byrnihat, Meghalaya. The grain based ENA caters to the Eastern and North Eastern region where the demand is high. A Captive power plant of 4.20 MW has been set up alongside the distillery.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	31-12-2021 (UA)
Total operating income	261.21	291.72	244.42
PBILDT	-3.02	13.73	13.12
PAT	-36.69	-41.95	NA
Overall gearing (times)	-4.30	-3.53	NA
Interest coverage (times)	-0.47	1.64	NA

A: Audited, UA: Unaudited, NA: Not Available

Status of non-cooperation with previous CRA: CRSIL vide press release dated Feb 25, 2021 retained the rating at Issuer Not Cooperating.

Any other information: Not Applicable.

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	5.70	CARE D
Fund-based - LT-Term Loan		-	-	March-2030	171.23	CARE D

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	5.70	CARE D	1)CARE D (25-Jun-21) 2)CARE D; ISSUER NOT COOPERATING* (01-Apr-21)	1)CARE D (02-Apr-20)	-	-
2	Fund-based - LT-Term Loan	LT	171.23	CARE D	1)CARE D (25-Jun-21) 2)CARE D; ISSUER NOT COOPERATING* (01-Apr-21)	1)CARE D (02-Apr-20)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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