

Beehive Alcoveb

June 06, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	30.00	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed; Outlook revised from Negative
Long Term / Short Term Bank Facilities	6.00	CARE BB+; Stable / CARE A4+ (Double B Plus; Outlook: Stable/ A Four Plus)	Assigned
Short Term Bank Facilities	14.00	CARE A4+ (A Four Plus)	Assigned
Total Facilities	50.00 (Rs. Fifty Crore Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Beehive group (Beehive Alcoveb and Deep Wines and Agencies Private Limited) continue to remain constrained by its modest and fluctuating scale of operations, thin profitability margins, weak debt coverage indicators and elongated operating cycle. The ratings further continue to remain constrained by risk associated with uncertainty in liquor trading business and highly regulated liquor industry. The ratings, however, continue to derive strength from experienced promoters coupled with long track record of operations and moderate capital structure.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Improvement in scale of operations to around Rs.380.00 crore and above over the medium term on sustained basis.
- Improvement in the profitability margins as marked by PBILDT and PAT margin above 6.50% and 3.00% respectively on sustained basis.
- Improvement in the operating cycle of the group for less than 60 days.
- Improvement in total debt to gross cash accruals of below 6.00x.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Deterioration in the capital structure as marked by overall gearing ratio of above 2.00x.
- Continued elongation in the operating cycle of the group beyond 180 days.

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest and fluctuating scale of operations: The scale of operations of the group improved though continue to remain modest as evident from total operating income and gross cash accruals of Rs.221.65 crore and Rs.2.63 crore respectively, during FY22 (FY refers to the period April 1 to March 31; based on provisional results) as against Rs.167.84 crore and Rs.1.19 crore respectively, during FY21. The increase in total operating income is on account of higher intake from corporate clients. Nevertheless, the scale remains modest; it limits the group's financial flexibility in times of stress and deprives it of scale benefits. Moreover, group's scale of operations remained fluctuating for the period FY20-FY22 (refers to the period April 1 to March 31). TOI declined in FY21 over FY20 and thereafter registered improvement in FY22. The same was mainly on the back of higher intake from corporate clients. Further, the group has achieved total operating income of ~Rs.18.70 crore during 1MFY23 (refers to the period from April 1, 2022 to April 30, 2022; based on provisional results).

Thin profitability margins: The profitability margins of the group remained thin during the past three financial years (FY20-FY22) on account of trading nature of the business and highly fragmented nature of industry characterized by intense competition. Moreover, it operates in a highly regulated liquor industry, where prices are regulated and controlled by the state government. PBILDT margin of the group stood at 3.71% in FY22 marginally declined from 4.01% in FY21 on account of increase in overhead expenses such as employee cost, etc. Further, PAT margin also improved and stood at 1.15% in FY22.

Weak debt coverage indicators: The debt coverage indicators of the group as marked by interest coverage ratio and total debt to GCA improved though continue to remain weak and stood at 1.47x and 25.12x respectively, during FY22 as against 1.34x and 46.01x respectively, during FY21. The improvement was on account of high PBILDT owing to increase in scale of operations consequently leading to higher gross cash accruals.

Elongated operating cycle: The operations of the group are working capital intensive as marked by elongated operating cycle. The operating cycle improved though continue to remain elongated and stood at 111 days for FY22 as against 122 days for FY21. The improvement in operating cycle is primarily on account of better realization from its customers. The group maintains adequate inventory of traded goods of around a week to cater the immediate demand of its customers. Being present in a highly competitive

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

business, the group normally extends credit period of around 30-90 days to its customers. However, it slightly elongated in FY22 since, the few customers have stretched the receivables due to lockdown owing to COVID-19. However, the group receives an average credit period of around 25 days from its suppliers resulting in an average creditor's period of around 2 days for FY22.

Uncertainty in liquor trading business: Every year the state government allocates licensing units to the liquor traders for the operations of the liquor whole selling business. The licensing units are allotted only for a period of 12 months. As a result, the liquor traders have to apply for fresh allocation of licensing units each year which, in turn, creates situation of uncertainties in liquor trading business with same scale of operations.

Highly regulated liquor industry: The liquor industry is highly regulated in India, with each state controlling the production, sales, and duty structure, independently. As a result, there are difficulties in the transfer of production from one state to another along with the huge burden of duties and taxes. The states control the licenses for production, distributorship, and retailing as well. Furthermore, there is also the risk of the introduction of prohibition laws in states, with negative connotations associated with the liquor industry in India. In addition to above, due to the presence of many players, the liquor industry suffers from limited pricing flexibility resulting in low margins.

Key Rating Strengths

Experienced promoters coupled with long track record of operations: Beehive Alcoveb and Deep Wines and Agencies Private Limited is a family run business. Mrs. Anupama Jaiswal, Mr. Ashok Kumar Jaiswal, Mr. Vikas Jaiswal, Mr. Atul Kumar Jaiswal, Mr. Anil Kumar Jaiswal, Mr. Satyadeo Gupta, Mr. Dharam Raj Jaiswal, Mr. Jitendra Jaiswal and Mr. Anup Kumar Jaiswal are the members of Beehive Alcoveb and they collectively look after the overall operations of the firm whereas the operations of Deep Wines and Agencies Private Limited are currently being managed by Mr. Ashok Kumar Jaiswal and Mr. Jitendra Jaiswal. All the promoters have accumulated vast experience varied up to two decades in liquor trading business through their association with this group. The group has been operating in this business for more than one and half decade, which aid in establishing a healthy relationship with both customers and suppliers.

Moderate capital structure: The capital structure of the group stood moderate as on past three balance sheet dates ending March 31, '20-'22 on account of limited debt levels against the satisfactory net worth base. Overall gearing ratio stood at 1.14x as on March 31, 2022 as against 1.05x as on March 31, 2021 mainly on account of COVID-19 relief loan availed coupled with higher utilization of working capital borrowings as on balance sheet date due to working capital intensive nature of operations.

Liquidity: Adequate

The liquidity position of the group remained adequate characterized by sufficient cushion in accruals vis-à-vis repayment obligations. The group has reported gross cash accruals to the extent of Rs.2.63 crore during FY22 and is expected to generate envisaged GCA of Rs.3.00 crore for FY23 against repayment obligations of Rs.2.40 crore. Moreover, in order to support the liquidity position of the company, there is infusion of funds by the promoters to the tune of Rs.3.47 crore in net worth base. The group has comfortable free cash & bank balances which stood at Rs.3.92 crore as on March 31, 2022. However, the working capital limits are almost 85-90% utilized for the past 12 month's period ending April, 2022.

Analytical approach: Combined

For the rating purpose, we have combined the financials of two entities namely; Beehive Alcoveb (BAB) and Deep Wines and Agencies Private Limited (DWA). The combined approach of evaluation is taken to factor in the common promoter of the entities, inter-related transactions, operational business linkages and financial flexibility within the group as the entities are closely held with significant ownership and control by a common promoter/promoter family.

Applicable Criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Retail](#)

[Wholesale Trading](#)

About the Group

Uttar Pradesh based Deep Wines and Agencies Private Limited (DWA) was incorporated in July, 2003 as a private limited company whereas Beehive Alcoveb (BAB) was established in March, 2013 as an association of persons (AOP). The group is currently managed by Mrs. Anupama Jaiswal, Mr. Ashok Kumar Jaiswal, Mr. Vikas Jaiswal, Mr. Atul Kumar Jaiswal, Mr. Anil Kumar Jaiswal, Mr. Satyadeo Gupta, Mr. Dharam Raj Jaiswal, Mr. Jitendra Jaiswal and Mr. Anup Kumar Jaiswal, Mr. Naveen Jaiswal and Mr. Arvind Jaiswal. The group is engaged in the trading of Indian-made foreign liquor (IMFL), country liquor & beer wherein Deep Wines and Agencies private Limited (DWA) is engaged in the retail trading of Indian-made foreign liquor (IMFL) & beer and has 160 retail shops in Uttar Pradesh for FY21. DWA is basically the forward integration of group and thus, it makes 81% purchases in FY22 (PY: 73%) from its sister concern and rest from different wholesale companies and sells its product to end customers (individuals, hotels & restaurants).

On the other hand, BAB is engaged in the wholesale trading of Indian-made foreign liquor (IMFL), country liquor & beer and has licenses for distribution in 14 districts of Uttar Pradesh. BAB makes purchases from liquor manufacturing companies of different brands by placing its order through central excise portal and receives the stock in a span of 2 to 3 days. BAB sells its product only to authorized retailers and bars under the strict excise policy (post inspecting their respective licenses).

The group is having one more associate concern namely; "Deep Distributors Private Limited" (incorporated in 2004) engaged in the import and distribution of liquor in Uttarakhand.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	31-03-2022 (Prov.)
Total operating income	193.85	167.84	221.65
PBILDT	8.06	6.73	8.23
PAT	2.88	1.11	2.55
Overall gearing (times)	0.61	1.05	1.14
Interest coverage (times)	2.17	1.34	1.47

A: Audited; Prov.: Provisional

Status of non-cooperation with previous CRA: India Ratings has conducted the review and has maintained Beehive Alcovab as "Not Cooperating" vide its press release dated October 22, 2021.

CRISIL Ratings has conducted the review and has maintained Beehive Alcovab as "Not Cooperating" vide its press release dated June 17, 2021.

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		-	-	-	30.00	CARE BB+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	14.00	CARE A4+
Fund-based/Non-fund-based-LT/ST		-	-	-	6.00	CARE BB+; Stable / CARE A4+

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 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	30.00	CARE BB+; Stable	1)CARE BB+; Negative (05-Apr-22)	-	1)CARE BB+; Stable (05-Feb-21)	-
2	Non-fund-based - ST-Bank Guarantee	ST	14.00	CARE A4+	-	-	-	-
3	Fund-based/Non-fund-based-LT/ST	LT/ST*	6.00	CARE BB+; Stable / CARE A4+	-	-	-	-

*Long Term / Short Term

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/Non-fund-based-LT/ST	Simple
3	Non-fund-based - ST-Bank Guarantee	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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