

Wave Beverages Private Limited

December 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	234.50	CARE BB+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BBB-; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has revised the ratings assigned to the bank facilities of Wave Beverages Private Limited (WBPL) to CARE BB+; Stable; Issuer Not Cooperating. CARE Ratings Ltd. has been seeking information from WBPL to monitor the ratings vide e-mail communications/letters dated November 19, 2024, November 13, 2024, and November 06, 2024 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating)

The revision in ratings, factors in non-cooperation by WBPL and CARE's efforts to undertake a review of the outstanding ratings. CARE considers the non-availability of the information as a key factor in its assessment of credit risk. The ratings assigned to the bank facilities of Wave Beverages Private Limited (WBPL) factors in comfort from experienced management and exclusive agreement with 'Coca Cola', moderate scale of operations and moderate profitability margins, support from Coca Cola for technical know-how and sales promotion, moderate capital structure and efficient working capital cycle. However, the rating remains constrained on account of new unit stabilisation risk, seasonality in demand for carbonated soft drinks, susceptibility to regulatory risks, changing consumer preferences, and risk related to high level of dependence on a single supplier.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

(At the time of last rating on December 15, 2023, the following were the rating strengths and weaknesses)

Key weaknesses

New Unit stabilisation risk:

WBPL is in the process of establishing a new facility in Dina Nagar, Dist. Gurdaspur, with the aim of expanding its current PET Bottles CSD Plant capacity by 500 BPM. Additionally, this facility will include new production lines for a PET bottle water plant with a capacity of 200 BPM and tetra pack juices with a capacity of 125 BPM. This new unit is scheduled to commence operations in April 2024. The potential risk associated with stabilizing this project will be offset by the existing strong demand for these products in the market and reliance of company on trading to meet the excess supply. Furthermore, the company is currently generating approximately 50% of its revenue from trading activities, and with the establishment of this new unit, WBPL's dependence on trading will be reduced to approximately 20%.

For the new unit cost pertains to ~Rs.14.68 crore on land, ~Rs.162.01 crore on building and ~Rs.145 crore on plant and machinery.

Risk related to a high level of dependence on a single supplier:

WBPL faces a potential risk related to its reliance on a single supplier, given that its entire revenue is dependent on products supplied by Coca-Cola India Pvt Ltd. Nevertheless, this risk is somewhat mitigated by the exclusive distribution rights granted to WBPL by Coca-Cola India, along with the extensive sales and distribution network the company maintains in Punjab and Himachal Pradesh, encompassing more than 50,000 outlets.

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

Due to High demand and limited capacity WBPL procure more than 50% of the traded products from Ludhiana Beverages Private Limited which also lead to supplier concentration risk. However going forward with stabilisation of new unit this risk will be mitigated to some extent.

Seasonality in demand for carbonated soft drinks

The demand for carbonated soft drinks (CSDs) is seasonal with peak demand observed in the summer months coinciding with Q1 and is highly susceptible to changes in weather conditions during this period. This leads to low capacity utilisation of bottling plants during the off-season in the winter months. This risk is mitigated to some extent by the increasing share of fruit juice based drinks in the product mix as the demand for such drinks are relatively more stable throughout the year.

Susceptibility to regulatory risks and changing consumer preferences:

The carbonated soft drinks industry is susceptible to regulatory risks especially related to taxation policy and increased environmental compliances related to bottling operations. Further, increasing awareness among consumers about the unhealthy nature of soft drinks and the increasing availability and adoption of healthier alternatives poses risk to the demand for the company's products. However, this risk is somewhat mitigated by the extreme hot weather conditions in India region across North India, where the company operates, due to which its products are in high demand during the summers.

Key strengths**Experienced and resourceful promoters:**

WBPL has a well-established foothold in the regional beverages industry, with over a decade of experience. It operates as a part of the Wave group, a diverse conglomerate involved in real estate, sugar mills, film business, paper mills, and beverages. WBPL was founded in 2005 by the Chadha and Kandhari family, each with extensive experience in the beverages sector. The company's core activities encompass bottling, manufacturing, and the sale of Coca-Cola products, with manufacturing facilities situated in the state of Punjab. Additionally, WBPL has maintained a longstanding partnership with Coca-Cola since its inception in 2005. The enduring presence of its promoters in the industry has been instrumental in establishing strong relationships with both customers and suppliers.

Established market position with exclusive agreement with 'Coca Cola'.

WBPL is promoted by Chadha family and Kandhari family who has been associated with the company since inception, this has helped the company to establish its strong market presence. The company has been associated with Coca-Cola India since 2005, through the franchise agreement for bottling and distribution of its soft drinks, juice and packaged drinking water for regions in 11 districts of Punjab and 2 districts of Himachal Pradesh. The exclusive franchise agreement for the allotted region has helped the company to maintain the scale of operations.

Support from Coca Cola for technical know-how and sales promotion

The company receives support from Coca Cola for the technical know-how and sales promotion through various schemes. The Coca Cola team provided all of the technical know-how support for the manufacturing facilities and potential expansion i.e. all the guidance for machinery procurement and plant feasibility have been provided by it for CSD line, PET-water bottle line and Tetra pack juice line. Also, the Coca Cola extends support in form of pricing of finished goods, concentrate and provides umbrella branding support for all of the products. Although majority of the national level advertisement are done by Coca Cola, however support is also provided for local level advertisement. Also, Coca Cola provides pricing support to clear the slow-moving inventory and for new products. Company has to renew their agreement with Coca Cola after every 5 years and current agreement will be renewed in FY25

Moderate scale of operations and moderate profitability margins:

The company's operating income has seen a notable increase of 27%, reaching Rs. 532.98 crore in FY23 compared to Rs. 418.95 crore in FY22. Additionally, the sales data for the first seven months of FY24 indicates that the company has achieved total sales of Rs. 380 crores. The peak season for demand typically spans from March to June, contributing to approximately 50% of the annual sales. Over the past three years, the company has demonstrated a sales growth with a Compound Annual Growth Rate (CAGR) of approximately 20%.

Furthermore, the company's profitability margins have remained stable over the last two years. The PBILDT margin and PAT margin stood at 8.07% and 3.55%, respectively, in FY23, compared to 8.63% and 3.67%, respectively, in FY22. The company has also maintained healthy gross cash accruals, recording Rs. 27.80 crore in FY23, as opposed to Rs. 25.81 crore in FY22.

Efficient working capital cycle

The sales in beverage industry is seasonal in nature, with majority sales is achieved during March to June and contributing on an average of 50% of annual sales. However, the group operates in efficient working capital cycle as marked by 7 days in FY23 remaining in line with previous year marked by 12 days in FY22. This is majorly on the account of inventory holding period 29 days in FY23 as against 29 days in the FY22. The average fund based working capital utilization stood low (below 10%) for the last 12 months ended August, 2023. Further, the current ratio stood at 1.33 times as on March 31, 2023.

Moderate capital structure:

The overall gearing ratio of WBPL deteriorated but remained moderate at 1.51x as on March 31, 2023 (PY: 0.96x). In FY22 and FY23 gearing was high mainly due to the capex for expansion done by the company. Due to the increase in term debt interest coverage moderated in FY23 (Prov.) from 9.58x in FY22 to 7.25x in FY23. Similarly, the total debt to GCA has also moderated to 9.80x in FY23 (PY: 5.94x), mainly on account of increase in term debt.

Liquidity: Adequate

WBPL's Liquidity is adequate given its sufficient cash accruals as against its moderate debt repayment. WBPL reported GCA of Rs 27.80 crore in FY23 prov. and is expected to improve in future as against approx. Rs.2 crore of vehicle loan repayment obligation in FY24 and term debt obligation of ~Rs.12.00 crore in FY25 and Rs.24 crore in FY26. Further company also has unencumbered cash and bank balance of Rs.7.13 crore as on March 31, 2023. The average utilization of working capital borrowings remained below 10% during the past 12 months period ending November 30, 2023.

Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

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

[Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Beverages	Other Beverages

Wave Beverages Private limited was incorporated in 2004 and part of Wave Group. WBPL has a franchisee of Coca- Cola India Pvt Ltd for the manufacturing and distribution of different products of Coca- Cola in 11 districts of Punjab and 2 districts of Himachal Pradesh.

Wave Beverages, with a plant in Amritsar, is equipped with both hot and cold bottling facilities. The plant has a capacity of 1290 BPM on the fully automated line and produces many popular soft drinks consumed in the country including Company manufactures and Trades Wide Range of Products in the specified areas of Punjab and Himachal Pradesh like Coke, Fanta, Limca, Thums Up, Sprite, Maaza. Trade products include Cans, Diet Cans, Maaza/Minute Maid Juices in Tetra and PET, Schweppes Water, Kinley Water and Kinley Soda, Monster Energy Drinks.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	7MFY24 (UA)
Total operating income	418.95	527.8	380
PBILDT	36.14	42.76	NA
PAT	15.37	17.79	NA
Overall gearing (times)	0.91	1.5	NA
Interest coverage (times)	9.58	7.21	NA

A: Audited UA: Unaudited NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA:

ICRA has continued the ratings assigned to the bank facilities of Wave Beverages Private Limited as "Issuer Not Co-operating" vide its press release dated March 21, 2024 on account of its inability to carryout review in the absence of requisite information from the company

Infomerics has assigned ratings for the bank facilities of Wave Beverages Private Limited as "Issuer Not Co-operating" vide its press release dated October 31, 2023 on account of its inability to carryout review in the absence of requisite information from the company

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	37.50	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	March 2032	197.00	CARE BB+; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	197.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (15-Dec-23)	-	-
2	Fund-based - LT-Cash Credit	LT	37.50	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (15-Dec-23)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term;

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

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

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

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About us:

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Disclaimer:

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